

## FINANCIAL TIMES

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## WORLD NEWS

## High-level US delegation for Moscow talks on economy

A high-level US delegation headed by Treasury Secretary Nicholas Brady and Federal Reserve chairman Alan Greenspan will travel to Moscow next week for intensive talks on a reform plan for the Soviet economy.

The emergence of a sovereign Russia under the leadership of a powerful president is underlined by the new Russian constitution. Page 22

## UK crime rate up again

An 18 per cent overall rise in Britain's crime rate in the 12 months to June has been disclosed by the latest Home Office statistics. One of the biggest jumps was in car crime, up by nearly a quarter.

## Poll tax backlash

Local councils in England and Wales could soon face a cash crisis after the disclosure that community charge collection rates are running well behind last year's and that poll tax debts have risen above £1.5bn. Page 22

## Ulster talks discussed

Prospects for re-opening talks on Northern Ireland's political future dominated a meeting of the Anglo-Irish conference in Belfast. Loyalist gunmen murdered a Roman Catholic man in the north of the city. Broader hopeful. Page 4

## Whitewash sentenced to die

The Durban supreme court sentenced two white South African extremists to death for murdering seven blacks in a machinegun attack on a crowded passenger bus.

## China expects journalist

China ordered Andrew Higgins, Beijing correspondent of the British newspaper The Independent, to leave the country by tomorrow.

## UN hopes for hostages

UN Secretary-General Javier Perez de Cuellar, seeking a fresh start in his quest to win the freedom of hostages held in Lebanon. Page 2

## Presidential candidate

Bongas Wilder, governor of Virginia, who two years ago became the only black ever elected a US governor, announced that he will seek the 1992 Democratic presidential nomination. Page 2

## Afghanistan arms halt

Moscow removed another long-standing irritant in its relations with Washington by agreeing with the US to halt military supplies to Afghanistan by January. Page 2

## Police criticised

Chief Constable of Derbyshire John Newing said: "We can't go on this way after report after report of this force 'alarming'." Chief Inspector of Constabulary Geoffrey Dear suggested the force might not get its Certificate of Efficiency. Police resources, page 4; Solution sought, page 5

## Seven killed in car

Two women and five men died when the Fiat Panda into which they were crowded plunged into the Grand Canal on the western outskirts of Dublin.

## Lebanon shoot-out

A Swedish UN soldier and a Palestinian guerrilla were shot dead and five other peacekeepers wounded in a south Lebanon incident after guerrillas held 14 soldiers captive. The UN denied involvement.

## BUSINESS SUMMARY

## Defence cuts claim 1,450 more UK jobs

GEC-MARCONI of the UK yesterday announced 1,450 redundancies at two Scottish-based subsidiaries, adding to the tally of British jobs lost in the worldwide defence spending downturn.

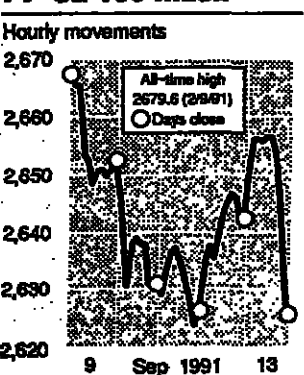
Cuts at the group's Yarrow shipyard had been expected, but the loss of 800 jobs at GEC Ferranti Defence Systems came as a surprise. Page 22

**SOUTH AFRICA:** International fund managers Baring Securities and Genesis Investment Management, worried about township violence, dropped plans to launch investment funds in South Africa. Page 2

**POLISH BANK:** Poland's parliament refused to confirm monetarist candidate Marek Dabrowski - President Lech Walesa's nominee - as president of the National Bank of Poland. Page 8

**UK STOCKS:** failed to maintain confidence despite cuts in domestic inflation and the US discount rate. After a steep

## FT-SE 100 Index



early rise, the FT-SE 100 index retreated amid a flurry of gloomy rumours to close 16.1 points lower at 2,638.8. Page 15

**BRENT WALKER:** beleaguered UK leisure group, has given conglomerate Ladbroke until midnight on Tuesday to agree to strict conditions for proceeding with its rescue plans. The ultimatum surprised the steering committee of Brent Walker's 47 banks. Page 8

**INTEL:** US chip-maker, set its shares falling with a warning that third-quarter earnings would be below Wall St analysts' expectations. Page 10

**RACAL TELECOM:** operator of the UK's Vodafone cellular telephone network, finally splits from Racal Electronics on Monday after a £3bn demerger. Page 8; Lex, Page 22

**MAN:** German engineering company, boosted profits by 22 per cent in the year to the end of June, helped by German unification. MAN said net profit would be at least DM400m (£136m) higher than last year's DM328m. Page 10

**SOCIETY Corporation and Ameritrust:** two big Cleveland-based banks, are merging in a \$1.2bn (£710m) deal to create the 24th biggest US bank, ranked by assets. Page 10

**RSN:** leading French food group, improved interim net profits by 14.4 per cent to FF1.72bn (£175m), not including a FF1.67bn exceptional gain from the sale of its Pommery and Lanson champagne brands. Page 10

**FILOFAX:** of the UK, which makes personal organisers, reduced interim losses by more than 70 per cent to £513,000. It is continuing a drive to revive its fortunes with lower-priced products. Page 8

## MARKETS

## STERLING

New York lunchtime: \$1.732

London: \$1.732 (1.733)

DM12.015 (12.025)

FF16.5325 (16.553)

SF2.5675 (2.58)

Y232.1 (232.25)

Y index 91.1 (91.2)

GOLD

New York: Comex Dec \$342.2 (342.3)

London: \$342.2 (342.25)

N SEA OIL (Argon)

Brent Oct \$21.225 (same)

Crude price changes yesterday: Page 22

## DOLLAR

New York lunchtime: DM1.68525

London: SF1.4775

Y133.945

London: DM1.684 (1.6855)

FF6.733 (6.7425)

SF1.4775 (1.477)

Y133.8 (134.05)

S index 64.8 (65.0)

Tokyo close: 134.25

US LUNCHTIME

NATIVES

Fed Funds: 5.5%

3-month Treasury bill: 5.34%

Long Bond: 10.1%

yield: 7.853%

## STOCK INDICES

FT-SE 100:

2,625.8 (-16.1)

FT Ordinary:

2,067.8 (-17.2)

FT-A All-Share:

1,285.19 (-0.4%)

New York:

DJ Ind. Av.

2,983.68 (-24.15)

S&amp;P Comp

383.91 (-3.43)

Tokyo Nikkei

22,134.43 (+804.23)

LONDON MONEY

3-month Interbank:

10.5% (10.5)

Little long gilt future:

96.5 (95.5)

## Markets look for a further cut in bank base rates

## Major claims victory in battle against inflation

By Rachel Johnson and Ralph Atkins

INFLATION is "licked", Mr John Major, the prime minister, said yesterday, as the government announced that the retail prices index rose by 4.7 per cent in August, its lowest annual rate for three years.

Although the RPI was expected to fall from July's 5.5 per cent by a full percentage point, the government claimed victory in the battle against inflation and the markets scented another cut in bank base rates.

The Central Statistical Office said inflation's fall was largely because of cuts in mortgage rates, from the fall from the index of the petrol price increases which followed the outbreak of Gulf hostilities last August.

Mr Major claimed that the government's "cautious, prudent and sound" economic strategy was reaping rewards. "I think we can be confident now that we have got inflation licked in a way we have not seen for many years," he said in his Huntingdon constituency.

Mr Norman Lamont, the chancellor, said it was "excellent news" that the UK inflation rate was below the July average of the European Community of 5.3 per cent. "Over the next few months it is set to fall further to levels comparable with the best in Europe," he said.

The release of the RPI caps a week brimful of economic news. Higher retail sales, lower factory gate prices, a marked slowdown in average earnings growth and unemployment's rise have all sparked ministerial claims that the recession is ending.

The week has squeezed acknowledgement from the opposition parties that there will be some sort of recovery. As inflation has fallen during the year-long recession and the

With a record level of house repossession and mortgage arrears, the property market is expected to remain dead until the end of the year, dragging estate agents, mortgage lenders, insurers

and construction companies down with it.

The main cause for concern, it is argued, is the high level of loans which are more than 12 months in arrears.

Page 5

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Labour has held steady, the government has been able to reduce interest rates to 10.5 per cent.

Yesterday's monthly rise in the RPI of just 0.2 per cent daily quickened market speculation that the government would deliver an interest rate cut in advance of the Tory party conference later this month. But the Bank of England suppressed expectations by keeping the money market very short of funds in an effort to push up lending rates.

This week's economic data, however, have not convinced the opposition of the government's claims that inflation is beaten and the recovery a certainty.

Labour argues that when

growth resumes, the benefits will be illusory. Mr Neil Kinnock, party leader, yesterday said the economic squeeze "has brought a large and relentless rise in unemployment, and a fall in headline inflation which, because it relies on recession, will be neither reliable nor sustained."

Mr Alan Beith, the Liberal Democrat Treasury spokesman, said that the real inflation battle had yet to be won. He pointed out that the underlying inflation rate, which strips out mortgage interest payments, rose by an annual 6.2 per cent in August, after 6.8 per cent in July.

The prospect of a muted recovery is being taken seriously by Conservative Central Office. The option of an autumn poll has not been ruled out, however, with more tangible signs of recovery not expected to feed through properly until 1992, it continued this week to play down the prospects of a November election.

Details, Page 4  
Editorial comment, Page 6

## BCCI executives to be charged

By Richard Donkin in Abu Dhabi and Alan Friedman in Washington

CRIMINAL charges are expected to be brought within days by the Abu Dhabi government against some of the most senior bankers in the Bank of Credit and Commerce International.

The decision by the emirate, BCCI's majority shareholder, to press charges emerged as eight more of the 22 remaining BCCI executives detained since last Sunday in the Abu Dhabi Police Officers Club were released.

The move to charge BCCI top managers may effectively quash efforts by the US Justice Department and the office of Mr Robert Morgenthau, the

Manhattan district attorney, to have Mr Swaleh Naqvi, the former chief executive officer of BCCI, handed over to them.

The US offices made a joint approach to Abu Dhabi on Tuesday through diplomatic channels after hearing of the police action.

The charges are expected to emerge at a time when a team of consultants and accountants working for the Abu Dhabi government finalise an outline of fresh restructuring proposals for the bank.

The outline proposal would provide a working draft for a final plan to be announced in time for the December 2 dead-

line for restructuring proposals imposed by the High Court in London.

None of those released in the early hours of yesterday morning was said to have been closely questioned. All but one of those allowed to go free since the detentions took place are from the second tier of BCCI management or personal assistants to executives.

The only senior executive among those held to be released to date is Mr Mazhar Abbas, head of personnel at BCCI.

In Washington, it emerged that the committee of central bank supervisors chaired by Mr Gerald Corrigan, president

of the Federal Reserve Bank of New York, is planning to tighten international bank regulation in the wake of the BCCI scandal.

Mr Corrigan, who came under sharp criticism yesterday for having moved too slowly on the BCCI affair, said during an appearance before the House of Representatives Banking Committee that BCCI was discussed last week by members of the Basic Supervisors Committee.

He hoped recommendations on how to tighten international bank supervision would be made by the committees December meeting.



The body of an Israeli soldier captured in Lebanon was flown home yesterday, opening the possibility of further hostage swaps. Meanwhile, relations between Israel and the US became more strained as Prime Minister Yitzhak Shamir rejected President Bush's move to delay \$10bn (\$5.9bn) of loan guarantees, for Soviet Jewish immigration. The dispute threatens to become increasingly bitter. US move rejected, Page 22

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INTERNATIONAL NEWS

# Gutsy Bush squares up to Jewish lobby

Lionel Barber explains why the US president has dared to do the unthinkable

THIS WAS the week when an immovable President George Bush squared up to the hitherto irresistible force in US politics: the American Jewish lobby.

The battle turns on Israel's request for \$10bn in loan guarantees needed to help finance settlements for thousands of Jewish immigrants. Mr Bush wants a 130-day delay so as not to jeopardise a prospective Middle East peace conference; the Israelis want the guarantees, now.

"I'm one lonely little guy down here," said Mr Bush on Thursday as he complained about a horde of hostile lobbyists in Capitol Hill seeking to drum up support for Israel.

Conventional wisdom has

been that US presidents who take on Israel and the well-organised, well-financed Jewish lobby are either brave or stupid. The same applies to the US Congress, where most members have at some time or another taken campaign money from the estimated 70 or more political action committees (PACs) in the US with pro-Israeli ties.

The most powerful pro-Israeli group is the American Israel Public Affairs Committee, known by its acronym AIPAC. This group is careful to avoid being labelled a political action committee, but it has close ties with other PACs and is widely credited with the defeat of pro-Arab Senate and House candidates in the 1980s,

notably former Senator Charles Percy of Illinois who led the fight in 1981 to sell AWACS surveillance aircraft to Saudi Arabia.

These defeats contributed to the impression that the Israeli lobby reigned supreme in Washington. But since Mr Bush came to office in 1989, the tables have begun to turn.

First, Israel's intransigence in the so-called peace process - heightened by the willingness of Egypt, Syria and other Arab states to sit down and talk - has caused Jerusalem to be seen as "part of the problem rather than part of the solution," says one US official. Television pictures of Israeli soldiers have further contributed to Israel's image of

aggressor rather than victim.

Second, the Bush cabinet - unlike the Reagan cabinet - shows no sign of splits on Middle East policy. After initial hesitation, Mr James Baker, US Secretary of State, has made a peace conference a top priority. Like Mr Bush, Mr Baker does not like losing.

Lastly, Mr Bush has cast the loan guarantee in terms of an historic opportunity for peace. In this respect, the comparisons with the AWACS battle in 1981 are misleading. This is no mere argument over a few high-technology weapons which could potentially threaten Israel's security; this is about face-to-face negotiations between Israel and its Arab neighbours, about the

ultimate question of the future shape and security of the Jewish state.

At the same time, Mr Bush may be gambling on a cruder calculation. The signs are that the US Congress is taking a much harder-nosed attitude to foreign aid, even to long-time allies such as Israel. Already, Senator Robert Dole, the Republican minority leader, has called for adjustments in line with America's own budgetary constraints.

This attitude explains why Mr Bush was so adamant this week that he would not make a new offer to the Philippines on the use of the Subic Naval Base. Israel is not the Philippines, but Mr Bush still has a strong hand to play.

## UN secretary general hopeful about progress for hostages

By Hugh Carnegie in Jerusalem

MR Javier Perez de Cuellar, the United Nations secretary-general, said yesterday he was optimistic about further progress "in the next days or weeks" in his efforts to end the Lebanese hostage problem.

He was speaking after a visit to Tehran which started a gradual process to resolve the issue.

However Mr Perez de Cuellar warned against raised expectations in case of unforeseen hitches. His reticence was underscored by an incident in southern Lebanon yesterday in which a Swedish UN soldier was killed in a clash between Israeli forces and Palestinian guerrillas.

The incident, though not directly related, illustrated the

fragility of relationships between the parties involved in the hostage talks. Israeli and UN versions of the clash differed sharply.

The latest piece in the macabre hostage jigsaw fell into place yesterday when the body of an Israeli soldier captured by Palestinians in 1983 was returned home.

He was the third of seven missing men Israel wants accounted for before releasing Arab prisoners demanded by Lebanese groups as the price for freeing nine Western hostages.

Israel allowed a Palestinian deportee to return home in the deal over the Druze soldier. Earlier this week, it released 51 Lebanese prisoners and handed

over nine guerrillas' bodies.

Mr Perez de Cuellar indicated that the next step was intended to be the release of more hostages.

In yesterday's incident in Lebanon, Unifil, the UN peace-keeping force, said the Swede was killed and five French and Swedish Unifil soldiers were wounded by Israeli's brigade militia, the South Lebanese Army.

The Israeli militia opened fire on a hut where the Unifil soldiers were being held hostage by three Palestinian guerrillas.

Israel said they were from the mainstream Patah faction of the Palestine Liberation Organisation, although this was denied by the PLO.

## Baker and Pankin fail to set Mideast date

By Mark Nicholson

THE US and the Soviet Union have failed to set a date for the Middle East peace conference, but both insist there are no differences between them and that it is still on course to convene in October.

Mr James Baker, the US Secretary of State, and Mr Boris Pankin, his Soviet counterpart, discussed the words of invitations to the conference meeting yesterday - their second this week - but failed to find a workable formula.

Mr Baker, who next week makes his seventh trip to the region, said after the talks: "We still need to do a fair amount of work in the region with respect to the parties that might attend such a conference." The composition

of the Palestinian delegation to the conference remains the outstanding issue to be resolved.

Mr Pankin said this week he also plans to visit the region for the first time as foreign minister before the conference, but only after he has led the Soviet delegation to next Tuesday's opening of the UN General Assembly's annual session.

Mr Yevgeny Primakov, the special Soviet envoy to the Middle East, is on a tour of the region. A spokesman for the foreign ministry said yesterday, however, that Mr Primakov's visit was primarily concerned with "economic issues", effectively a search for economic aid from the Gulf states.



An exhausted Georgian woman rests near a barricade in the capital Tbilisi as pro-presidential and opposition demonstrators argue over politics

## Township violence forces international fund groups to think again

# S Africa investment fund plans axed

By Sara Webb

TWO international fund management groups have dropped plans to launch funds investing in South African stocks, citing township violence and worries that US state pension funds might withdraw business.

The decisions by Baring Securities and Genesis Investment Management come at a time when South Africa is preparing its first public bond offering since 1985. It hopes to raise DM200m-250m (\$280m-\$350m) from international investors.

Genesis, which has \$420m (\$249m) under management, decided not to proceed with a fund investing in second-tier South African stocks as well as stocks from other southern African countries such as Zimbabwe, Botswana and Swaziland.

Genesis had approached about 60 institutions to gauge

their interest in the fund. Despite initial interest, it seemed unlikely that the fund would be able to attract its minimum target of \$25m. "The violence last week has not helped sentiment," said a spokesman for the group.

Baring Securities had also discussed the possibility of launching a South Africa fund in conjunction with South Africa's UAL Merchant Bank. It shelved plans because of worries that Baring Asset Management (BAM), its fund management arm, would lose valuable US state pension fund money.

BAM claims to be the leading non-US manager of US pension funds. It manages a total \$29bn worldwide of which \$4.9bn is US pension fund money.

"We have taken a view that we do not want to be associ-

ated with South Africa, although we can buy and sell South African shares, among other markets, on behalf of clients," said a director of Baring Securities. "The truth is most investors are uncertain how to approach this opportunity. It is frustrating because the economic and commercial opportunities exist and are very obvious."

The Baring's UAL fund would have invested mainly in South African shares, but would also have examined the possibility of investing in projects in other southern African countries.

Old Mutual, South Africa's largest life insurance company, recently announced plans to launch a \$50m South Africa investment company to be listed on the London Stock Exchange.

Smith New Court Securities,

which is sponsoring and underwriting the placement, said that several UK and European institutions had expressed an interest in the fund, but that it was too early to say how much money had been raised from investors.

Smith New Court said that a recent poll of 110 UK institutions revealed that 25 per cent already invest directly in South African equities, while 45 per cent are changing their views on investment as a result of recent political reforms in South Africa.

However, Mr Peter Webster, executive secretary of Ethical Investment Research Service, a company which screens individual UK companies for their involvement in South Africa, said that ethical investors do not believe that the time has come to start investing in South Africa yet.

## NEWS IN BRIEF

### Democracy candidate wins in Hong Kong

A pro-democracy businessman won the high-profile race for the Hong Kong General Chamber of Commerce seat in the colony's indirect elections on Thursday, writes Angus Foster in Hong Kong.

Mr Jimmy McGregor, a former civil servant known for his willingness to confront China, won despite a concerted campaign against him by pro-China interests.

Mr McGregor's victory suggested the colony's business community remains sharply divided in its attitudes to China. He was mainly backed by small and medium sized companies and opposed by larger groups calling for closer relations with China and slower democracy.

### World Bank halts Zambian aid

The World Bank is to suspend aid to Zambia following the government's failure to meet the 60-day deadline on arrears payments of \$20.5m, Mike Hall reports from Lusaka.

The Bank is suspending \$75 to \$80m of balance of payments support under an agreement last year. Other western donors have also frozen another \$40m of aid.

President Kenneth Kaunda, who went to the polls in the first multi-party elections in 20 years in October, has described the donors' response as "unfair".

### Burma politicians in plea to west

Burmese opposition politicians met British foreign office officials yesterday, Reuters reports. Despite an election victory last year, they have been denied power and have set up a rival government.

Mr Sein Win, prime minister of the rival government, and Mr Peter Limbin, its foreign minister urged western countries to put more pressure on their nation's military junta.

The leaders, who set up their government among ethnic Karen rebels on Burma's border with Thailand last December, were seeking international support and recognition.

### Italy steps up help for Albania

Italy has stepped up aid to Albania to try to stop further attempts at mass illegal immigration, reports Robert Graham in Rome.

The Italian government has approved soft credits of L120bn (\$80m) over three years to finance imports, especially machinery for manufacturing foodstuffs and improving infrastructure in Albania. This is on top of commitments to provide 130 tons of food over the next four months.

## Moscow and US agree to stop sending arms to Afghanistan

By Mark Nicholson in Moscow

THE Soviet Union yesterday removed another longstanding irritant in its relations with Washington by agreeing with the US to halt military supplies to Afghanistan by January.

Mr Baker and Mr Edward Shevardnadze, then Soviet foreign minister, but that hardliners in the Soviet leadership had stymied the deal. Their demise after the failed coup removed the impediment to the Afghan deal, and to recognition of the Baltics and cuts in military aid to Cuba.

The deal is a domestic economic and political filip to both Washington and Moscow. The Soviet Union poured at least \$400m in aid into the regime of President Najibullah in Kabul, mostly in the form of guns, ammunition, artillery and hundreds of Soviet missiles. Moscow also flies huge quantities of food and fuel to Kabul - aid which US officials say they will also urge Moscow to cut.

US military aid to the Mujahideen rebels, including Stinger anti-aircraft missiles, had reached \$600m a year, but has recently been running into

stiff resistance in Congress.

Pakistan and Saudi Arabia also provided aid, and US officials yesterday said they would press both countries to halt assistance and help broker peace in the country under the terms of last May's five-point UN peace plan, which calls for the formation of an interim government before full elections.

President Najibullah welcomed the agreement yesterday "with open satisfaction", and at least two leading rebel groups also hailed the deal.

Mr Vitaly Churkin, the Soviet foreign ministry spokesman, suggested yesterday that the effects of the post-coup "deideologisation" of Soviet foreign policy would extend next to Vietnam, where he said the Soviet Union was seeking to end its military presence entirely.

Farhan Bokhari in Islamabad adds: Pakistan's government was examining the situation in Afghanistan after yesterday's announcement of an arms cutoff by the Soviet Union and the US, but had no official comment.

## Black Democrat joins US presidential race

By George Graham in Washington

THE RACE for next year's US presidential election widened yesterday when another candidate joined the field bidding for the Democratic Party's nomination.

Governor Douglas Wilder of Virginia yesterday formally declared he would run for the presidency, adding to a list of Democratic hopefuls weakened by the refusal of most of the party's heavyweights to take on President Bush.

A silver-tongued trial lawyer with more than 20 years of state politics behind him, Mr Wilder is a controversial figure in his home state, where he has been embroiled in a series of bitter squabbles with rival Democrats.

But as the first black to be elected governor in the US, he could change the dynamics of the Democratic nomination process, which in recent years has been dictated by Mr Jesse Jackson's domination of black



votes in the southern states.

Unlike Mr Jackson, Mr Wilder, appeals to centrist and white voters. He won his Virginia office with an estimated 40 per cent of the white vote in this once segregationist southern state.

## Peace accord to end week when 120 died

By Philip Gawith in Johannesburg

THE three main protagonists involved in the violence which has wracked South Africa for the past year and dominated political debate will sign a peace accord today aimed at establishing mechanisms to curb the violence.

The accord comes at the end of the week in which more than 120 people died in various incidents in Transvaal townships.

The government, the African National Congress (ANC) and the Inkatha Freedom Party have all stated that the events of the past week merely underscored the need for a peace accord.

At least thirty other organisations will sign the accord, but the right wing Conservative Party will be staying away while the Pan Africanist Congress and Azapo, two radical black parties, will attend but not sign the accord. They object, amongst other things,

to the legitimacy the accord gives to the government and its security organs.

The accord is the result of months of negotiations. Following a government convened summit earlier in the year, which the ANC did not attend, a committee of business and church leaders worked to get the main parties around the same table.

Features of the draft document include the setting up of a permanent, paid, multi-party national peace committee; special courts to deal with political violence and codes of conduct for political actors and security forces.

Although there are high hopes for the peace accord, there is also recognition that a formidable task lies ahead in giving effect to its principles at the grassroots level and ensuring that violence does not recur at street level.

## Sharp rise in Japanese bankruptcies

By Robert Thomson in Tokyo

THE bankruptcy toll from the collapse of Japan's financial "bubble" rose sharply in August to a monthly record of ¥1,065bn (\$4.65bn) and was highlighted by the ¥430bn failure of the Egawa Restaurant run by the mystic-cum-stock investor, Ms Nui Onoue.

A total of 896 bankruptcies of ¥10m or more were recorded for the month by a leading Japanese credit agency, Tokyo Shoko Research, which said that seven of the eight largest failures were directly linked to unsuccessful property or stock dealings.

The number of bankruptcies rose 2.5 per cent from a month earlier and 74.3 per cent from last August, while the total of debts outstanding rose 67.5 per

cent from July and 800 per cent from August last year.

Ms Onoue was arrested last month after having allegedly used ¥342bn in fake deposit certificates as collateral for loans from such lending institutions as the Industrial Bank of Japan and Fuji Bank. She is said to have relied on seances for investment advice of the supernatural kind, but, like many other mere mortals, Ms Onoue lost her money when the Tokyo stock market crashed.

The second largest bankruptcy was that of Marubio, a property developer specialising in one-room apartments, which had become a popular speculative investment during the late 1980s. Developers attempting to

capitalise on this speculation were caught out by the increase in Japanese interest rates over the past two years and the resulting slump in the property market.

Marubio filed for protection with debts of ¥277.4bn, the largest of the 107 real estate-related failures during the month. These companies were also hurt by government guidance in the past year to banks to limit their property lending and by the banks own need to reduce lending growth to meet international capital adequacy requirements.

Japanese institutions expect a high level of bankruptcies for the rest of this year, as the unwinding of the era of financial excess continues.

JAPANESE BANKRUPTCIES Aug 80 - Aug 91			
Month	Number of cases	Amount in ¥(bn)	
1990			
Aug	514	118.3	
Sept	531	91.2	
Oct	646	150.1	
Nov	633	344.8	
Dec	714	478.7	
1991			
Jan	645	630.3	
Feb	777	310.6	
Mar	672	570.1	
Apr	836	883.2	
May	887	476.2	
Jun	902	383.1	
Jul	874	836.3	
Aug	896	1,065.5	

Source: Tokyo Shoko Research

## Russia hints at deal on Kuriles

By Mark Nicholson

A POSSIBLE deal by which Russia would hand back to Japan the disputed Kurile islands in return for substantial economic aid from Tokyo was strongly hinted at yesterday by Mr Russian Khazbulatov, chairman of the Russian parliament, on his return yesterday from a trip to Japan.

Mr Khazbulatov said Russia was "prepared to speak about the territorial issue" of the islands, which the Soviet Union occupied just after the

Second World War.

He said Japan should "show an example of its participation in solving serious problems faced by Russia" by giving between \$8bn and \$15bn in economic assistance.

Mr Khazbulatov, who spent five days in Japan, did not make explicit a possible islands-for-aid deal, but emphasised that Russia sought a "stage-by-stage" return to normal relations with Japan, culminating in a peace treaty with

its wartime foe. As an additional carrot, Mr Khazbulatov said Russia intended cutting military forces in the east.

However, Mr Ryutaro Hashimoto, the Japanese finance minister, appeared to dampen immediate hopes of a deal, saying in Tokyo that although he was prepared to visit Moscow "relatively soon" to discuss economic co-operation, he felt the Soviet Union was not yet meeting the conditions Japan tied to the provision of aid.

## IMF approves Peru's economic programme

By Stephen Fidler, Latin America Editor

The International Monetary Fund approved yesterday an economic programme for Peru which aims to bring the country out of the international economic wilderness and provides for it to receive more than \$1bn in loans before the end of 1992.

The approval sets in train a complicated series of transactions under which Peru is expected to erase its arrears to the Inter-American Development Bank, World Bank and the IMF itself.

At the end of last year, arrears to the IADB totalled \$380m, to the World Bank \$890m, and to the IMF \$822m. None of the institutions are allowed to disburse loans to countries in arrears.

Under the agreement a support group of friendly coun-

tries, led jointly by the US and Japan, have put together more than \$1bn in soft loans and grants which will be disbursed until the end of 1992. This together with loans from the IADB are expected to fill Peru's new financing needs over the period.

In other parts of the programme, the IADB is expected to disburse next week its first loan for more than two years to Peru. The arrears to the IADB will have been cleared with the proceeds of a \$400m, four-year loan from the Latin American Reserve Fund.

Peruvian officials have flown to Paris for talks on Monday with the Paris Club of creditor governments where debt relief on trade-related debt is expected to be granted.

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## INTERNATIONAL NEWS

## Ukraine fears it will run out of roubles

By Chrystia Freeland in Kiev

**LEADING** Ukrainian politicians said yesterday the republic may run out of roubles by the end of the month because of lack of supplies from the Soviet central bank.

Mr Mykhailo Shvalka, deputy head of the parliamentary commission on economic reform, said that the Ukrainian National Bank had cash reserves of only \$500m. The bank needed between \$500m and \$1bn to pay wages in the republic each month.

Officials from the Ukrainian National Bank confirmed that due to "technical problems" Gosbank, the Soviet central bank, had not provided the Ukraine with enough cash.

Mr Mykhailo Tumanov, deputy director of the Ukrainian National Bank, denied the situation was grave, but said Gosbank simply could not print money fast enough to keep up with the wage and price increases in the country.

Mr Tumanov said one of the motives behind a trip to Moscow by Ylford Fokin, the Ukrainian prime minister, on Thursday was to discuss the

financial squeeze with his Russian counterpart, Mr Ivan Silayev.

Opposition politicians, who now command a majority in parliament, believe there is more than technical problems behind the shortage of roubles. They fear that both the Kremlin and Boris Yeltsin's Russian parliament are trying to create a financial crisis in the Ukraine to force the independence-minded republic to remain in some sort of political union.

"Without a doubt, Russia stands behind this measure," Mr Shvalka says. "They want to keep everything in their hands."

However, the opposition's suspicions may well prove unfounded. Russia is trying to persuade the Ukraine, the second most powerful republic, to join an economic union, and starving it of roubles would be counter-productive for Mr Yeltsin. As Mr Shvalka himself says: "This will force us to introduce our own money and not to depend on anyone."

Moreover, it has been Gos-



**OLD PALS ACT:** James Baker greets Eduard Shevardnadze in Moscow. The former Soviet foreign minister now leads the Democratic Movement

bank, not the Russian central bank, which has traditionally overseen the distribution of cash, so it seems unlikely that the Russians would be able to withhold the money.

However, another repercussion of the cash problem may be a shake-up in the Ukrainian government. Opposition MPs say they may call for the resignation of a number of cabinet

ministers and even the prime minister himself when Mr Fokin faces parliament on Tuesday to deliver a report on the economic situation.

Senior Soviet officials will visit Brussels next week to discuss Moscow's surprise request for at least \$50m in food aid to prevent mass hunger next winter, Reuters reports. US and European Community trade

representatives at a meeting in Angers, France, commented that the Soviet Union was asking for a lot of money.

"It (the request) is rather high," EC trade commissioner Frans Andriessen said. "We will have to investigate." US Trade Representative Carla Hills said: "It's not a small sum."

## Attitudes of mind that undermine the economy

By Anthony Robinson, East Europe Editor

**THE** chains that bound "Soviet Man" have been spectacularly broken. But a few vignettes from everyday Soviet life indicate that the state of mind inculcated into three generations of citizens, could be the most difficult "reform" of all.

Take, for example, the hundreds of thousands of oil tankers clogging the overloaded railways. Each has a thick belt of congealed oil around its middle where oil has been split. Why? Because they are filled from the top as if oil were water until they overflow. The losses are immense.

Or take the mismatch between production and distribution illustrated by a large field of tomatoes ripening in the sun not 20kms from the port city of Odessa. The only visible link between the field stretching to the horizon in all directions and the consumer was one small van and three old ladies with buckets.

There were no tomatoes in the state shops of Odessa - but three kinds of sausages were being sold without queues in the streets. They had come across the Black Sea from Bulgaria. But the vagaries of the distribution system meant that few would get beyond the port except in the suitcases of travellers.

That helps explain why a country which this year is expecting a grain harvest of 195m tonnes still "needs" to import 30 to 40m tonnes. Imported grain arrives conveniently at a port where it can be put into trains and then unloaded into a state-owned rail-side silo or bread factory. It does not have to bump over rutted mud roads in broken down trucks from far-flung collective farms whose workers have nothing to buy with the roubles they receive and therefore no incentive to part with the produce.

Growing tomatoes in a gigantic field is just one instance of a mania for size which has bequeathed the Soviet Union some of the largest industrial plants in the world - not to mention the world's heaviest chandeliers, the biggest micro-chips and mind-boggling monuments to heroes and battles weighing hundreds of tons and laid out over dozens of acres.

But the ceaseless propaganda campaigns which accompanied the construction of the great projects of past five-year plans - from Stalin's dams, canals and steel plants to Brezhnev's car and truck plants and Siberian railway - were switched off after com-

pletion. In the same way the new plants, oil fields or pipelines on which billions of roubles and dollars were lavished in construction were then deprived of prudent depreciation allowances or working capital once operational.

Western oil companies, especially those operating in harsh climatic regions, typically allocate about 15 per cent of the overall project budget to maintenance of pipelines and pumping stations. In the Soviet Union the average is about 1 per cent. It will take an accounting revolution for western-style depreciation to be adopted. Until then, pipeline explosions and factory breakdowns, will continue to cause a decline in output of oil and other products.

However the potential for gaining rapid and substantial productivity increases by changing attitudes gives ground for hope. Substituting western-style accounting and project evaluation methods for the political imperative of the five year plan could prove more effective than large scale new investment.

That is what the economists drafting economic strategies and newly-empowered Soviet factory managers are counting on.

## TV propaganda goes into reverse

By Leyla Boulton in Moscow

**SOVIET** families sitting around their television sets will soon be fed market economics instead of Communist party propaganda.

Mr Yegor Yakovlev, the new liberal chief of Soviet broadcasting, said yesterday that he wanted to change the way the west was depicted on TV and to educate viewers on how market economies work.

"People imagine that capitalism is like Marxism but only worse," joked the former newspaper editor, who replaced Mr Leonid Kravchenko in a purge of hardliners who supported last month's coup.

He said he wanted to show a new series which would explore topics such as how the rich in the west shared their money with the poor through taxation, what millionaires spent their money on, and what social guarantees were available to western workers.

But he said his prime aim was still to free television from its role as an undeclared "propaganda ministry". Even with the advent of glasnost, television remained tightly controlled, capable in the words of

Mr Yakovlev of "serving putchists at the push of a button". (Since the coup's defeat, Soviet television has gone to the other extreme in airing the views of victorious democrats).

Mr Yakovlev, who has kept his predecessor's direct line to President Gorbachev, said he would for instance set up a board of prominent personalities whose job would be to protect broadcasters' independence and handle complaints.

But he said there was still a lot of uncertainty over the shape of broadcasting since it was being divided up like the country itself. On Thursday, Mr Gorbachev and President Boris Yeltsin shared out facilities on Russian territory between the union and Russia.

He said that all republics, including even the independent Baltic states but excluding Georgia, seemed willing to take part in an all-union broadcasting company. This would be state-owned but it would hold stakes in smaller companies which would make programmes and be open to private ownership.

## Irish privatisation row

**A ROW** is looming over a secret study commissioned by the Irish government on privatising the telecommunications company, Telecom Eireann. Tim Cooney writes from Dublin.

The Communication Workers' Union says the government gave it a verbal assurance last year that the company would remain in state hands.

But Irish newspapers have revealed that Telecom's chairman, Mr Michael Smurfit, advised his board on August 30 that the government had

decided to commission the privatisation study from the Investment Bank of Ireland (IBI) and National City Brokers (NCB).

Unofficially priced at £1bn, the company is one of the government's most valuable assets. Its privatisation may threaten the cornerstone of the government's employment and wages policy, the Programme for Economic and Social Progress (PESP). This relies for its success upon trade union backing which could be withdrawn if Telecom is sold off.

## Polish parliament rejects bank chief

By Christopher Dobinski in Warsaw and Anthony Robinson in London

**THIS** communist-dominated Polish parliament's relations with President Lech Walesa worsened yesterday when deputies failed to approve Mr Marek Dabrowski, the president's nominee, as head of the National Bank of Poland.

Mr Dabrowski, who was determined to contain inflation by maintaining monetary controls, even at the cost of a deepening recession.

He fell foul of a coalition of hardline deputies, the former communist group and right wing Solidarity supporters anxious to see an end to the recession. The 40-year-old economist served last year as deputy finance minister.

Mr Dabrowski's appointment as head of the bank, which is independent of the government, was intended to signal that controls on money supply would be maintained whatever the outcome of general elections on October 27.

The post fell vacant last month when the previous head, Mr Grzegorz Wotowicz, was forced to resign after the arrest of his deputy on charges of issuing fraudulent credit guarantees.

Meanwhile, Witelkowski Bank Kredytowy (WBK), one of nine Polish state-owned commercial banks bailed off from the central bank two years ago, has been selected as the first for privatisation, with the help

of a consortium of UK and Polish advisers.

Schroders, the UK merchant bank, will lead the consortium which includes accountants and consultants from Coopers and Lybrand Deloitte's UK and Polish offices, with legal advice from Allen and Overy and Tomasz Wardynski and partners, a Polish law firm. The project is being funded jointly by the British government's know-how fund and by the Polish government.

The Poznan-based WBK, with 40 branches and net assets of \$124.4m, already has a "twinning arrangement" with Allied Irish Banks arranged by the International Finance Corporation (IFC). The World Bank has set aside \$200m to provide western technical and other assistance for the modernisation and privatisation of the Polish banking system.

The Katowice-based Slaski Bank is expected to be the second of the nine commercial banks to be privatised with the help of a French bank.

The need for efficient commercial banking system was underlined recently by a banking scandal involving the APTB trading company which obtained unsecured credit guarantees from Polish banks and is accused of falsifying documents, bribing bank officials and other crimes.

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## UK NEWS

## Abta ends two Prowse licences

By David Churchill, Leisure Industries Correspondent

THE Association of British Travel Agents (Abta) yesterday terminated the membership of two Keith Prowse travel companies after talks with the receivers from Grant Thornton.

Keith Prowse Travel and Keith Prowse Travel (Northern Ireland) had their licences to sell Abta members package holidays revoked after it became clear to the receivers that a buyer for the operations was unlikely to be found.

However, a third Keith Prowse travel company - Williams Travel - remains trading and in Abta membership as the receivers hope to sell it as a going concern next week.

The two travel companies who have lost their Abta licence to operate were not put in receivership last Monday along with other Keith Prowse companies, as to do so would

have automatically forced them to cease trading. However, they are likely to go into receivership next week.

If they do cease trading it should not disrupt the holiday plans of consumers who have booked through them, Abta said last night. All package holidays sold through the Keith Prowse shops are covered by the bond lodged with Abta.

Meanwhile, about three serious purchasers have emerged for the Keith Prowse ticket operation, according to Mr Allan Griffiths, one of the joint receivers from Grant Thornton. "It's a very complex situation and I am aware that time is not on our side to find a buyer," he said.

London theatres have agreed to honour all Keith Prowse tickets, but are anxious that the situation should be clarified as soon as possible. The theatres hope that any buyer would reimburse them for tickets already honoured, but this is increasingly unlikely if a buyer is to be found.

Mr Griffiths said that Mr Dev Anand, one of the owners of the Keith Prowse group, was working with the Modern Group, the new owners of the Expotel hotel reservations agency which the receivers sold last Monday. Mr Anand was "totally exhausted", added Mr Griffiths.

A third director, Mr Paul Burns, was helping sort out the confusion surrounding corporate hospitality packages. Meanwhile Mr Keith Richards, legal officer with the Consumers' Association, yesterday suggested that a small levy could be applied to theatre tickets in future to provide insurance for consumers.

"There is a real need to protect consumers who pay out in advance for their tickets," he said.

British Airways said last night that the Concorde flights chartered by Keith Prowse for players and supporters of the European Ryder Cup golf team would go ahead.

BA said it would operate the flights to the tournament in South Carolina, in the US, and the costs would be covered by the Professional Golfers' Association and Johnnie Walker, the team sponsor.

BA said it would honour tickets issued by Keith Prowse on its scheduled services. Passengers who could prove they had paid Keith Prowse in full before it ceased trading would have tickets issued to them - including golf supporters who had bought packages to see the Ryder Cup.

## Brooke hopeful over talks on Ulster

## Councils discuss changes to spending assessments

By Alison Smith

THE government is discussing with local authorities two possible changes to the method of assessing the amount councils should be spending.

The first change would be to remove highway maintenance from the standard spending assessments (SSAs), which affect how government distributes grants to councils, by treating it as capital spending rather than revenue. Some authorities believe that this signals a further move towards making councils compete for central government grants, as has happened with the City Challenge scheme.

The second change would increase the allowance made for the number of overnight visitors to each local authority. This would favour areas with large numbers of tourists, such as Westminster, and seaside towns.

The alterations were discussed yesterday at a meeting of the settlement working group, made up of officials from the Department of the Environment and representatives from the local authority associations.

The SSAs have consistently been a subject of disagreement between the government and local authorities. They have been criticised by Tory-led and other councils alike as in need of far-reaching reform.

Labour has especially criticised recent changes, which it says unfairly favoured the Tory-controlled London boroughs of Westminster and Wandsworth, helping them set low poll tax levels.

Mr David Blunkett, Labour's local government spokesman, said yesterday: "Despite all the evidence, the government has still refused to make fundamental changes to the SSA system. The proposed tinkering is

once again designed to benefit their friends rather than address the real issues."

There were signs yesterday that even the Tory-dominated local authority associations could be reaching the conclusion that the government's plans for personal discounts may make the council tax inoperable.

Although the council tax will be based broadly on the value of people's homes, discounts for single-person households and for certain other categories, such as student nurses, are proposed.

Benefit experts say that difficulties will arise in meshing the discounts with the rebate system.

The government intends to introduce the council tax in April 1993, but delays in solving such complexities risk its being delayed until the following year.

and June last year. The figures indicate that the recession in the building industry, already severe, is worsening. Output in April, May and June this year was 3 per cent lower than in the preceding three months, the department said.

Most worrying is the collapse of the office construction market in south-east England. The National Council of Building Materials Producers has forecast commercial output will fall 20 per cent this year and 30 per cent in 1992.

Seasonal food prices performed one of their intermittent August jumps as a result of a rainy summer. Potato prices helped the index of seasonal food prices rise by 3.7 percentage points to 8.4 per cent in August. Fish, milk, cheese and beer prices all rose.

The general index of retail prices in August was 134.1 (January 1987=100), after 13.8 in July.

The outlook for inflation is mixed. It is going to get better, then worse, with a tight financial strategy required to keep UK inflation at German levels next year.

The October RPI is set to fall to just 3.2 per cent, but then rise again above 4 per cent as last year's mortgage-rate cuts - which started in November - drop out of the year-on-year comparisons.

## Shortage of police resources dismissed

By Alan Pike, Social Affairs Correspondent

THE government yesterday dismissed suggestions that inadequate police resources had been a factor in this week's Tyneside disturbances.

Local authority leaders met Mr Kenneth Baker, home secretary, to demand increased police spending. The meeting had been arranged some time ago, but was given added urgency by the present inner city unrest.

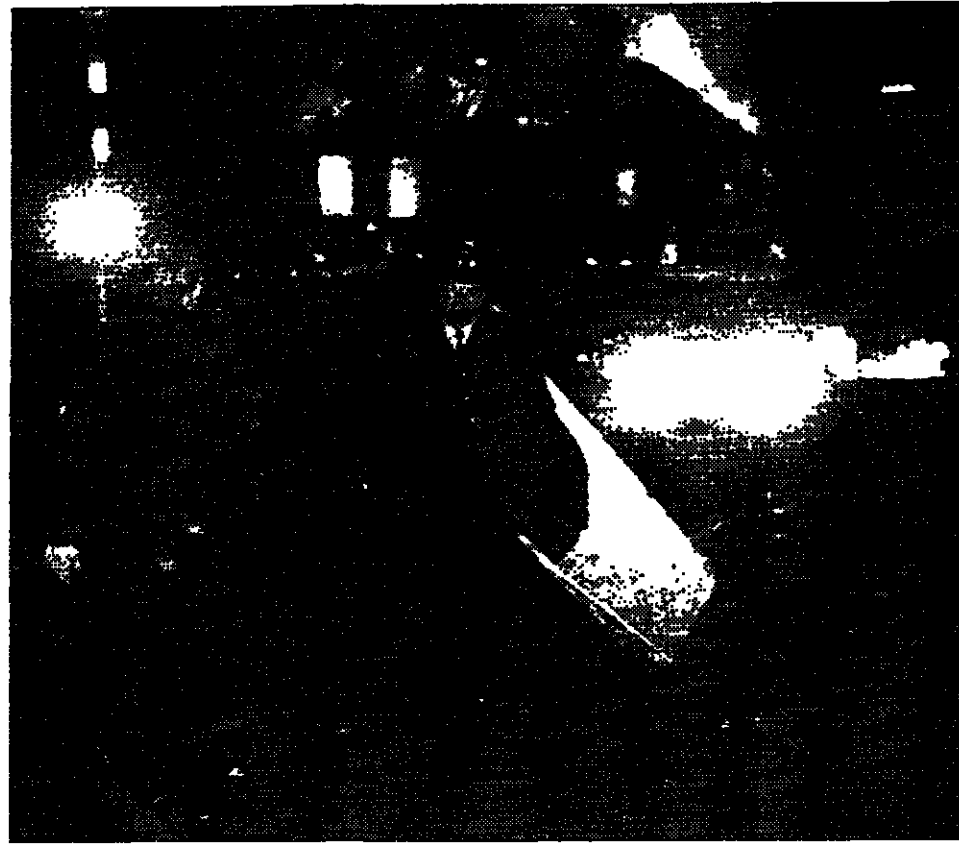
Mr George Gill, chairman of Northumbria police authority - the force responsible for policing Tyneside - said afterwards that Mr Baker had shown sympathy, but had not offered extra cash. He said he believed the events on Tyneside could be repeated in other metropolitan areas, and added: "I didn't come down here for sympathy. I came down here for action as we haven't got any."

The meeting took place as Home Office figures published yesterday showed a record 18 per cent increase in recorded crime between June 1990 and June 1991. Nearly a third of all crime now involves stealing cars or breaking into them. But crimes of violence rose by only 5 per cent in the 12 months to June - half the rate of increase of other recent years.

In a letter to Mr Roy Hattersley, shadow home secretary, Mr Baker dismissed suggestions that the policing of the Tyneside disturbances had been hindered by shortages of officers.

The council leaders told Mr Baker that police forces faced a financial crisis which was keeping officers off the beat.

All six metropolitan police authorities had their budgets capped in 1991-92.



Under fire: a policeman stands guard as a pub in Newcastle blazes this week

## Responsibility urged over riots

By Ralph Atkins

STRONGER locks on cars, more care by car owners of their vehicles and tough sentencing by courts are part of the answer to riots such those that took place around Newcastle upon Tyne this week, Mr John Patten, home office minister, said yesterday.

Local communities also had to act collectively to stem disturbances centred on car crime, compared with around 16 per cent in 1990.

Production of the Fiesta at Ford's Dagenham, Essex plant is forecast to rise by 16 per cent to 211,105 from 186,952.

The individuals and communities concerned, said that courts would be able to hand down tough "deterrent" sentences.

His comments followed a claim by Mr Roy Hattersley, shadow home secretary, that Sir Stanley Bailey, chief constable of Northumbria, had told him his force had 500 officers fewer than it needed.

"Sir Stanley was explicit in saying that on each night of the disturbances he did not possess sufficient resources both to contain those who caused it and to arrest the ringleaders," Mr Hattersley said.

Mr Patten, however, said the figures were "news to me and

news to us in the Home Office". Northumbria had only 87 fewer police officers than it should, he said. Last month, Northumbria lobbied the Home Office for funds for a further 116 officers.

Speaking on BBC radio, Mr Patten said: "We need manufacturers to put better security equipment on cars, we need insurers to persuade those who take out car insurance to take more care of their own property."

He played down suggestions that the riots were the result of unemployment. "Just as many are in work and all too many are children - and they are somebody's children," he said.

## LIG to shed 650 production jobs

LONDON International Group, the consumer services and products company, is to make up to 650 workers redundant following its decision to move surgical glove production overseas. Production at Chingford, London, and Llanelli, west Wales, will end. Consultations with trade unions are under way. There could be up to 350 job losses at Chingford and 300 at Llanelli.

## Lib Dems urged to vote tactically

LIBERAL Democrats were urged yesterday by Mr John Wakeham, energy secretary, to vote tactically by switching to the Tories in order to deprive Labour of a victory in a general election for the fourth consecutive time.

The rare plea by a Conservative minister for voters to "think tactically" played on the belief of many Liberal Democrats that a Labour defeat offers the best chance for the party to win power in the long term.

## Nominations for TGWU union

Mr Jack Adams, a Communist party member, has secured 541 branch nominations for the post of deputy general secretary of the TGWU general union. This compared with 389 nominations for Mr Jack Dromey, a close ally of Mr Neil Kinnock, the Labour party leader. The result of a secret ballot is expected next month.

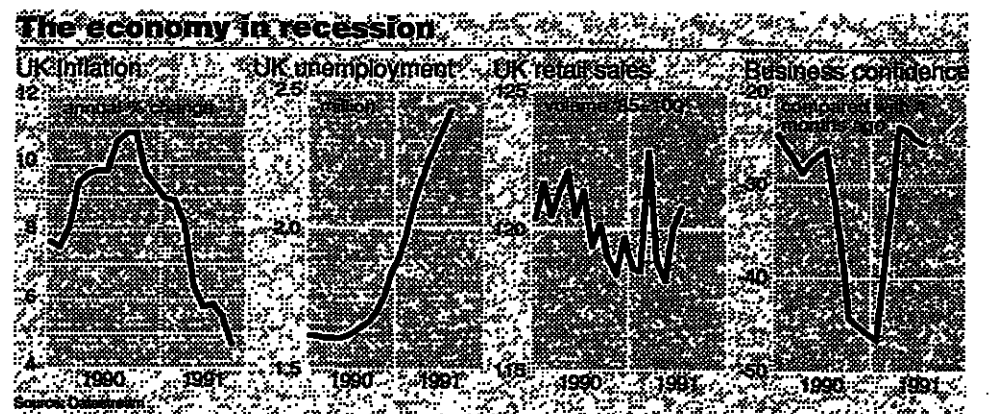
## Polly Peck chief is questioned

MR ASIL NADIR, the chairman of Polly Peck International, was questioned yesterday by police attached to the Serious Fraud Office Holborn police station.

No new charges were preferred against Mr Nadir, who was arrested and questioned on Wednesday and questioned for eleven hours. He remains free on his original £3.5m bail terms granted last December. Mr Nadir faces 18 charges of theft and false accounting.

## Philips denial

Philips of the Netherlands yesterday denied a statement earlier this week by Matsushita that it was planning to manufacture the Japanese group's television picture tubes in the UK. Philips said that if there was a demand for flat-surface tubes it would make them using its own technology.



## Ford expects Continental exports to triple

By Kevin Done, Motor Industry Correspondent

FORD's exports of cars and commercial vehicles from the UK to continental European markets are expected to almost triple this year to 173,987 from 64,475 last year.

Exports of engines are expected to rise to nearly 1m from 800,000 in 1990.

Mr Derek Barron, Ford of Britain chairman, said that the company's vehicle and engine exports this year would be the highest since 1979.

The surge in exports reflects

the high level of new vehicle sales in Germany this year. Ford's success in the Italian market and the drop in demand in the UK market.

Around half of Ford's production of its Fiesta small car range will be exported this year, mainly to France and Italy, compared with around 16 per cent in 1990.

Production of the Fiesta at Ford's Dagenham, Essex plant is forecast to rise by 16 per cent to 211,105 from 186,952.

Output of the Dagenham assembly plant was concentrated exclusively on the Fiesta last year, when Ford transferred all its UK production of the Sierra large family car to its Genk, Belgium, assembly plant.

UK new car sales dropped by 22 per cent in the first eight months of the year, but Ford has under-performed the market with a 25.9 per cent drop in its UK new car sales volume. This has cut its market share

to 23.8 per cent from 25 per cent a year ago.

Car output from the Halewood, Merseyside plant of the Escort/Orion range is forecast to fall to 86,479 from 83,031 in 1990.

Production of the Ford Transit medium van at Southampton will fall to 97,000 from 69,200 last year.

Engine production at Ford's Dagenham plant will be virtually unchanged at 588,500 compared with 588,100 last year.

## US HOUSE BANKING COMMITTEE HEARINGS

## Eight inquiries failed to see First American ownership



THE Federal Reserve Bank of Richmond failed to uncover Bank of Credit and Commerce International's alleged hidden ownership of First American Bank in spite of eight probes in nine years, according to Mr Robert Black, Richmond Fed's president.

Mr Black said in prepared testimony to the House Banking Committee that the examiners were well

aware of the Fed's concerns about BCCI's involvement with the Middle Eastern investors who bought the Washington bank in 1982.

"During this period, the Reserve Bank's inspections found compliance with the conditions and commitments of the original application and no violations of the law," Mr Black said.

"Neither the reports of our First American inspections nor any of the reports of examination prepared by other federal and state regulators contained comments or criticisms regard-

ing involvement of, influence by, or improper payments to BCCI," Mr Black said.

Since 1982 there were no dividend payments to the investors, who injected more than \$500m into First American, he said.

Mr Black told the committee that although the Middle Eastern investors who bought First American in 1982 also owned stock in BCCI, US law does not prohibit common ownership of banks and non-banks by individuals as it does for companies.

"This common ownership, while significant, did not provide grounds for any action on the part of the Federal Reserve Bank or any recommendation by us for action by the board," he said.

The Fed discovered that BCCI had financed the First American purchase in late 1990 from a BCCI audit report.

The Federal Reserve has charged BCCI with secretly owning more than 60 per cent of the shares in First American's parent, Credit and Commerce American Holdings.

## PANAMA

PANAMA'S Congress, hoping to uncover more about the activities of BCCI, will form a commission to probe the bank's dealings in the country.

Lawmakers overwhelmingly backed a proposal to probe BCCI's two Panamanian branches. Legislators suspecting BCCI of shady practices in Panama, say there must be more information than has so far been revealed by the banking commission and the attorney-general's office.

It's necessary... to investi-

gate the real causes of the closure of BCCI in Panama and its involvement in the different criminal investigations cited worldwide," legislator Mr Miguel Bush said in his proposal to set up the commission.

The congressional probe into BCCI came in a week of heightened attention to the bank's dealings in Panama.

Mr Rogelio Cruz, the attorney-general, whose office has said little about the bank scandal, announced on Thursday that seven questionable BCCI

loans amounting to more than \$30m were under investigation.

Mr Cruz, who would not give any further details about the loans, made the announcement after giving a Peruvian delegation permission to review accounts deposited by BCCI in the Panama City branch of Swiss Bank, where bribes money was allegedly paid to Peruvian central bank officials.

Former Peruvian central bank officials implicated in the dealings have denied any wrongdoing.

## Cawthra quits as Balfour Beatty chief executive

By Andrew Taylor, Construction Correspondent

MR DAVID Cawthra yesterday resigned as chief executive of Balfour Beatty, the construction arm of BICC, the engineering group.

This is the second time in 3½ years that Balfour has lost a chief executive. Mr Cawthra, 48, replaced Mr Bob Rankin as chief executive of the company in 1988. Mr Rankin subsequently became chief executive of Lilley, the Scottish-based contracting and development group.

The market feared that Mr Cawthra's resignation might be connected with problems at Balfour Beatty that have not been revealed publicly.

BICC stressed, however, that Mr Cawthra's departure had not been prompted by any financial or operational difficulties within the company.

It said: "There were no major differences in management approach. This was purely a personal decision by Mr Cawthra, who decided that he wanted to leave to do other things. His resignation has been accepted with regret."

Mr Cawthra, who joined Balfour Beatty from Tarmac in 1979, is widely respected in the construction sector. It is expected that he will take up another appointment within the industry.

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## UK NEWS

## Chemicals company obtains injunction

By Chris Tighe

THE chemicals manufacturer Albright and Wilson has obtained an injunction forbidding members or sympathisers of Greenpeace, the environmental campaign group, from interfering with its Marchon works and discharge pipelines in Whitehaven, Cumbria.

The injunction, obtained against Greenpeace and its UK executive director Lord Melchett, was granted by the High Court in London after the arrest on Wednesday of 22 Greenpeace protesters who tried to block pipelines emitting heavy metals from the company's Marchon works into the Irish Sea.

Albright and Wilson also disclosed yesterday that it has started High Court proceedings against Greenpeace, on which a writ has been served, for damages caused by the attempt to block the pipelines. The company estimates that the cost of damage and lost production will run into six figures. It is also seeking a permanent injunction restraining Greenpeace campaigners from such actions in the future.

A Greenpeace spokeswoman said it would obey the temporary injunction, but would fight any legal attempt to permanently curb its activities. "We take action to defend the environment and we will defend this case in the same way," she said.

Albright and Wilson, a subsidiary of American conglomerate Tenneco, has been targeted in the environmental group's campaign to force the National Rivers Authority to take a tougher line on pollution. Greenpeace is seeking a judicial review of the NRA to force it to take stiffer action.

Albright and Wilson, which has consent from the NRA to discharge about 500 tonnes of heavy metals into the Irish Sea each year, has denied Greenpeace allegations that it is exceeding this limit.

Last month, in the first successful private prosecution under the Water Act, Greenpeace presented the company for exceeding its consent levels. Albright and Wilson, which was fined the maximum £2,000 and ordered to pay Greenpeace £50,000 costs, is considering an appeal.

"We were shocked that being involved in the process of law, in which they have taken us to court, they are taking this violent action against the discharge," said a company spokesman.

## Housing market suffers scourge of repossession

Emma Tucker and Richard Lapper on the gloomy outlook for property

since the beginning of the year. Halifax is lending very few.

Mr David Gilchrist, Halifax's group corporate development manager believes 100 per cent lending will disappear altogether, moving Britain closer to European practice.

In addition, the impact of the increase in the rate of unemployment is likely to reverberate beyond those actually out of work.

Mr Wriglesworth points out that those in work will feel insecure as long as the rate of unemployment is increasing, making them less likely to take out loans on new houses.

The stagnancy in the property market has added to the difficulties of the insurance industry, which was already suffering from an upsurge in weather losses and recession-related claims.

Over the past six months most leading companies have paid claims on their mortgage indemnity policies, an insurance which protects the lender against any losses incurred when a repossessed property is sold.

More importantly, companies have set aside huge amounts in provisions to pay for future claims that they believe will emerge when all repossessed properties are sold.

Most policies cover lenders against losses equivalent to 25 or 30 per cent of the loan. Even so the provisions have had a substantial impact on the bottom line, pushing one com-

pany, Legal & General, into the red for the first time.

Sun Alliance and Royal Insurance, which each control about 20 per cent of the market, reported claims of £50m and £45m respectively. Eagle Star, which has a 15 per cent market share, made a more cautious assessment of future claims, providing £165m in its interim figures. Legal & General made an even more conservative assessment, providing against claims that it believes will emerge when mortgages currently in arrears enter into default.

Mr Chris Hitchens, analyst with stockbrokers Hoare Govett, believes that for the year as a whole mortgage indemnity losses could amount to as much as £1.2bn.

Estate agents are also floundering from low turnover in the market and some have criticised building societies for not putting enough effort into selling repossessed houses.

Mr Trevor Kent, a former president of the National Association of Estate Agents, says the system whereby lenders are reluctant to come to a deal on selling the house with a borrower until the house has been repossessed means that the borrowers are losing both their homes and their credit ratings.

Often the deals that borrowers come to with buyers before repossession are less than what they bought the house for, but still better than a deal struck by the building society several months later when the house has been languishing on the market.

Mr Kent argues that all parties - borrower, lender and insurer - could come to better arrangements.

For housebuilders, the glut of unsold housing is an added burden in one of the worst years experienced.



Out in the cold: Jaroslav Klech looks back at the family home he will soon have repossessed by the building society

## Carpenter who must rebuild a home

By Emma Tucker

IN THE next few weeks the Abbey National building society is due to repossess the home of Mr Jaroslav Klech, a 47-year-old carpenter and joiner.

Mr Klech, who lives in Wallington, Surrey, is one of 73,000 people expected to lose their homes through mortgage debt this year.

His family does not qualify for local authority rehousing - the citizens' advice bureau told Mr Klech he stood virtually no chance, because he has a grown-up son and is in full-time employment.

The family house, which cost £180,000 some five years ago, and was valued at £265,000 18 months ago, will go on the market at less than £200,000.

The Klechs' mortgage was £224,000 after they had the property remortgaged. They fell into arrears in January.

Mr Klech, whose carpentry company went into liquidation at the beginning of the year, looks almost bemused at the tumbling down of his assets since the recession hit. He now works for a small contracting company.

A lifelong Tory voter, he says he will not vote Conservative again. But he reserves most bitterness for the banks.

"The banks were very keen to lend me God knows how much money. I could have borrowed whatever I liked," he said. "Then as soon as they got twitchy they started calling everything in."

In January Mr Klech's bank, the Midland, with whom he

had a £60,000 business loan, suggested he go into liquidation. He had already contacted a liquidator and worked out a package to keep the business alive for three to four months.

Mr Klech believed promises of work would have yielded enough money to save the company. The bank refused. He also contacted his building society, the Abbey National, explaining that he would not be able to keep up his £2,300 monthly repayments.

After two months they asked for the house keys. Mr Klech refused until he found alternative accommodation.

Rents for three-bedroomed houses in the area, where his younger son was still in full-time education, averaged £280 a month. When a court order

arrived from Abbey National's solicitors telling him he had 28 days to leave he chose to make a court appearance.

A sympathetic magistrate gave him two more months.

As with the bank, Mr Klech made a number of suggestions to Abbey National to try to prevent eviction. He also suggested his family remain in the house while it was on the market. He said the building society did not respond.

A spokesman for Abbey National said it always encouraged people to contact them as soon as they fell into arrears. Together they looked for ways to reduce the payments or to extend the mortgage. However, they also tried to avoid spiralling the debt, which may mean repossessing the property.

## ITV backs down on BSkyB advertising

By Raymond Snoddy

THE ITV companies have backed down on their refusal to carry British Sky Broadcasting advertisements unless the campaign was changed.

Some ITV companies objected to the line: "Sky: See What You've Been Missing."

The Independent Television Commission has now ruled that it would be unreasonable discrimination to refuse to transmit the advertisements. As a result ITV has cleared the ads for transmission.

When the issue of carrying satellite television ads on ITV first arose in 1989 the then Independent Broadcasting Authority decided the ITV companies should carry advertising as long as it did not denigrate ITV or suggest specific alternatives.

BSkyB, which runs five channels of satellite television, is run by a consortium in which Pearson, publishers of the Financial Times has a significant stake.

## Pay-freeze fear at Independent

By Raymond Snoddy

STAFF at The Independent and The Independent on Sunday newspapers are expected to face a wage freeze as part of a new round of cost-cutting.

Mr Andrew Whitman Smith, chief executive and editor, is determined to cut costs by considerably more than £2m a year to ensure the papers come through their present difficulties without the need for further re-financing. A wage freeze is likely to last until there is clear evidence that the current deep advertising recession is ending.

A rights issue designed to raise £2.5m, associated with a new £8m loan facility, closed

yesterday. It was underwritten by La Repubblica of Italy and El Pais of Spain, the two principal shareholders of Newspaper Publishing, the company that publishes The Independent newspapers.

The European groups already own a 14.9 per cent stake each in Newspaper Publishing, and this is likely to rise as a result of the rights issue. It will not, however, go to nearly 49 per cent, the maximum possible if the entire issue had to be underwritten.

The founders of the company will not be taking up their rights, amounting to 2 per cent of the whole. Instead they have

options which they can exercise between September 1994 and 1996 at the current rights price of £2.50 plus annual interest of 5.5 per cent.

The board is also likely to decide to appoint a managing director to take over day-to-day running of the company, allowing Mr Whitman Smith to concentrate more on editing.

Mr Whitman Smith is expected to retain the title of chief executive as well as editor.

In the six months to the end of March, Newspaper Publishing made a pre-tax loss of £6.4m, including £1.9m in redundancy costs.

Pains of Independence, Page 7

DAF

## Extraordinary General Meeting of Shareholders

The DAF N.V. Extraordinary General Meeting of Shareholders will be held on 30 September 1991 at 2 PM at DAF N.V., Hugo van der Goeslaan 1, Eindhoven, The Netherlands.

## The agenda is as follows:

1. Opening.
2. Proposal to amend the Articles of Association in order to be able to issue convertible cumulative preference shares.
3. Closure.

The agenda and amendments of the Articles of Association are available for inspection at the Company's Head Office, Communications Department, at Hugo van der Goeslaan 1 in Eindhoven, The Netherlands and also at the main offices of the Amsterdam-Rotterdam Bank N.V. in Amsterdam, the National Westminster Bank PLC in Crawley, the Generale Bank in Brussels and the Swiss Bank Corporation in Zurich.

To be admitted to the meeting holders of shares to bearer should show their certificate of deposit of shares. Shares should be deposited with one of the following banks on 27 September 1991, 3 PM, at the latest: Amsterdam-Rotterdam Bank N.V., National Westminster Bank PLC, Generale Bank, Swiss Bank Corporation, NMB Postbank Groep N.V., Rabobank Nederland and Deutsche Bank AG.

DAF N.V.

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Board of Management

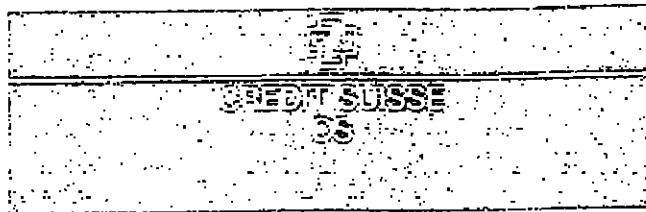
Eindhoven, 14 September 1991.



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Weekend September 14/September 15 1991

## Window of opportunity

THE GOVERNMENT has not decided whether to join further moves towards economic and monetary union within the European Community. But any British government would be appalled to find that the UK was unqualified to do so: at present, however, the UK is. More precisely, the UK should not wish to join the sort of EMU that would have it as a member. Current self-congratulation on the decline in inflation should be forgotten. The UK has not yet converged on the best European standard. The next year may offer the last chance to achieve that goal for many years.

With the tabling of what the Dutch government labels a "non-paper", the debate on EMU has at last been seriously joined. It may be a "non-paper", but it does not raise non-issues. Its starting point is that if a new European money is to be as good as any existing money, then it can only be adopted by countries that have demonstrated their ability to live within the requisite discipline.

Inflation should, say the Dutch, be close to levels achieved by the member state with the best performance; the fiscal position should be sustainable; the currency should have remained within the narrow bands of the exchange rate mechanism for some years; and interest rates should be close together. Neither Italy nor the UK now meet those standards, to the public anguish at least of the former. An EMU on any other terms would be political adventurism and, as such, far more likely to undermine than to strengthen the European Community. EMU is, after all, intended to represent an irreversible commitment to a common economic and monetary policy. It is quite a different matter from the European Monetary System, which has allowed room for a lot of trial and error.

### Fiscal position

The UK is near, and yet so far. Headline inflation was 4.7 per cent in the year to August, only a whisker higher than in Germany. Interest rates in the UK, both long and short, are only about a percentage point higher than in Germany; the UK's fiscal position is better than Germany's, and happily has settled down happily within what would be its narrow band around its central rate. Since the move to Stage Three of EMU is not expected to occur before 1997, the question of the UK's convergence would seem to be decided.

Appearances, however, in so doing, they inevitably reinforce the current almost total concentration on the chances of

imminent recovery. That concentration itself indicates why full convergence will be so difficult to achieve.

People are far too inclined to believe convergence has been achieved when it has not. The more desperate will see the half a percentage point cut in the US discount rate, to the enticing level of 5 per cent, as an example for the UK, whose interest rates, despite the decline of the past year, are more than double that level. But the UK is not the US. It has tighter constraints and a different objective. Interest cuts in the UK have now gone almost as far as they can, and almost as far as they should.

### German standard

One reason the UK's convergence looks so satisfactory is that Germany has experienced a shock that has driven up inflation and budget deficits to non-germanic levels. It would be foolish to expect them to remain there. The Bundesbank remains determined to get inflation back to 2 per cent. The standard is not German now, but Germany as it once was and will almost certainly be once more.

For the UK this means that unit cost inflation in the production of tradable goods (principally manufactures) must fall to around zero. That is consistent with wage inflation of around 4 per cent. It may be difficult to see the underlying increase in average earnings down to 7½ per cent once more. But the decline so far merely wipes out the inflationary impact of the Lawson boom. Wage inflation is still double what it needs to be.

Getting wage inflation down to 4 per cent would be a notable achievement. But even that might not be enough. Over the year to June, unit costs in manufacturing rose by almost 11 per cent, a loss in competitiveness that will have to be recouped. Furthermore, sustained growth will require sustained improvements in competitiveness.

The present high rate of German inflation gives the UK a little extra time. But it is also only while unemployment is rising that the UK has any chance of achieving its goal. Pay settlements will need to have fallen to around 3 per cent by the time the rise in unemployment levels out, perhaps a year from now. The window of opportunity is small and will include an election. From time to time, therefore, stop praying for recovery. Remember, instead, where inflation needs to be in so doing, they inevitably reinforce the current almost total concentration on the chances of

Urban regeneration on Tyneside is "setting an example that many other countries within the European Community are keen to follow," the Tyneside Development Corporation said when its annual report was published last week. "In Tyneside and Wear," the report added, "we have cracked the problem."

Within days of the report's publication, rioting had spread across half a dozen Tyneside housing estates lying cheek by jowl with some of the corporation's showcase projects. The Newcastle area found itself undergoing disturbances similar to those which hit other UK cities such as Liverpool, Birmingham and London in 1981.

Mr Alistair Ball, TWDC chief executive, is putting a brave face on the events. The problem which had been cracked, he now says, was of finding a mechanism to consult and involve local communities in urban regeneration.

But Mr Ball's gung-ho claims of a week ago are seen by some as further evidence of a disturbing tendency to talk up the region without attacking its underlying problems. The development agencies are desperate to radiate confidence about the region's economy and abolish the north/south divide.

"The hype is almost an act of faith," says Dr Robinson, a researcher and lecturer in social policy at Durham University. "It stifles debate about the region's present condition and the options available."

Those problems remain severe, and they translate into urban riots for exactly the same reasons which emerged from the analyses of the 1981 disorders.

Chief among these is unemployment, particularly among young people with no qualifications. In some Tyneside estates which have seen rioting this week, fewer than one in five adults is in employment. In most cases, they have no stake in society, and they have equally little hope of acquiring one.

The consequence of unemployment, heightened by the breakdown of family structures and a crippling demotivation, is grinding poverty. A simple indicator of this is the almost total absence of cars on some estates, unthinkable even in the most deprived parts of the south of England.

Glib generalisations about the revival of the Tyneside economy are often based on a flying visit to the splendidly restored Albert Dock.

Local authority leaders yesterday met Mr Kenneth Baker, the home secretary, to demand greater police resources in the wake of this week's inner-city disturbances.

The spate of lawlessness increases the likelihood of law and order becoming a general election issue. But what precisely is the issue? The causes and cures of the problem are complex - none of the councillors' leaders at yesterday's meeting believes that more police officers and tougher sentences offer the complete solution.

Neither do their chief constables. Faced with a steadily rising crime rate - national figures published yesterday showed a record 18 per cent increase in recorded offences in the 12 months to June, 1991 - many senior police officers speak increasingly about the social causes of crime.

Most crime is a youthful activity which erupts out of - almost half of known offenders are under 20.

John Willman and Chris Tighe explain why Tyneside's estates were wracked by rioting

## Rebels against their own locality



Riot aftermath: police patrol past a burned-out car used for "joyriding" in Newcastle

It has the south - but the region starts from a base of much higher unemployment. Well-publicised inward investment projects by Japanese companies such as Nissan and Komatsu have not compensated for the loss of jobs arising from the closure of other plants. And even long-standing manufacturing companies like Vickers no longer need droves of unskilled labourers.

The contrast between the haves and the have-nots is accentuated by those parts of the local economy which are booming. The housing estates on the west of Newcastle, for example, look down on the development corporation's Newcastle Business Park, where hardly any of the 800 jobs so far created have gone to local people.

Poverty breeds idleness, relieved in

many cases by petty crime, joyriding and worse. This week's riots can be seen as another stage in a rising tide of lawlessness which has already burnt out many buildings on the housing estates. Supermarket chains have long since given up the struggle against break-ins and vandalism.

For the under-resourced police, these estates increasingly become no-go areas. The less law-abiding inhabitants begin to relish the battle of wits with the forces of law and order - Thursday night's disturbances in Scotswood, a suburb of Newcastle's West End, were advertised on posters saying "Scotswood riot - 8pm tonight". But police relations deteriorate even with upright citizens who feel abandoned and ignored by the forces of law and order, and even

lumped into the general category of "scum" because of where they live.

"The police say we want you to tell us things, but they don't protect us if we do," according to one Meadow Well shopkeeper, who understandably wanted to remain anonymous. "I told them about another shopkeeper who was a fence, but they didn't do anything."

The final element of the cocktail is the "copycat effect", the undoubted influence on such events of media coverage. As in 1981, disturbances begin in one city and spread to another (often with different underlying causes). The youngsters on the streets are certainly aware of their media impact and the arrival of TV crews with their lights can act as a beacon for trouble.

The thrill of notoriety - and of breaking glass, throwing half-bricks and setting fire to buildings - provide an added element of "fun". Even some of those not actively participating see the entertainment value - like the residents, out on their doorsteps, who videoed a blazing flat.

These factors are present - in different proportions - in each urban riot. It has been a peculiarly inchoate form of rebellion on Tyneside, in which the chief target of the rioters has been their own immediate environment.

On the North Shields Meadow Well estate where the week's disturbances started, for example, only buildings on the estate were attacked. The community centre, most of the few (mainly Asian-owned) shops, empty houses and the electricity sub-station were put to the torch. The aim was to lure the police on to the estate to wreak revenge for the death of two local joyriders - professional criminals, some admitted - in a high-speed chase. Rather better stocked shops on the owner-occupied housing estate across the road were not touched.

On Thursday night, the riots in Scotswood targeted the local post office, where those on state benefits must cash their giro cheques. The police broke up the crowds before they could hit the other targets on their list, said to include a doctor's surgery, two schools and the local working men's club. Asian shopkeepers in the area believe that they will also be hit - even though they are the only people left serving the area.

The rioters are mainly men and boys between 15 and 25, though some much younger children appear free to roam the streets at midnight. Dressed in the standard uniform of shell suit and trainers, they find it hard to explain why they attack local amenities.

"It's just to get back at the police," said one teenager after the Meadow Well riot. "We want to get the truth out, that the police killed those lads. The police are murderers."

"It's the police's fault - they should say sorry," said another.

The depressing conclusion is that for this generation of rioters, it will be hard to see any escape from long-standing deprivation. For the next generation, the best hope lies in the inner-city initiatives which seek to regenerate estates by drawing together community groups, local business, council departments and government agencies.

The aim of the initiatives is to persuade those who live on the estates to develop a new vision for their future, and to have the confidence to turn towards achievable targets. The riots will be a setback in that process, especially if such painstaking efforts are allowed out of the way by some quick fix which national politicians can latch on to.

ing enthusiast for this idea, last year launched Volunteers, a scheme to involve young people in community activities. A Volunteers scheme based on a Newcastle estate is under consideration.

Eileen Bowman, who is responsible for Volunteers in Scotland and also manages the National Association for the Care and Resettlement of Offenders' youth training in the city, would like to see the scheme enlarged. "But one of the most essential elements of Volunteers is that it brings together young people from a range of social backgrounds. We have mixed young offenders from deprived backgrounds with successful graduates and they have gained from contact with each other."

The question of how to give Britain's disadvantaged young people contact with a wider culture than the one found on their own depressed streets is, perhaps, one of the most fundamental questions raised by this week's disturbances.

## The search for a solution

Alan Pike on responses to growing lawlessness in society

The peak ages of criminal activity are between 15 and 18 years for males and 15 for females. Remarkably, one-third of males will have collected at least one conviction for a relatively serious offence by the time they have reached the age of 31.

This week's disturbances remain exceptional events. But burglary, violence, drug offences, vandalism and crimes involving motor vehicles are commonplace in many deprived inner-city areas and estates.

High crime rates contribute to a police response which, in spite of the efforts of many forces to adopt a more sensitive community-based style since the riots of the early 1980s, provokes frequent allegations

of over-reaction and harassment.

The increased likelihood of young people in deprived inner-city areas and estates being tempted into crime is compounded by a range of other social problems including poor housing, low levels of educational attainment and high unemployment. The number of 15-19-year-olds without jobs rose from 131,000 in April, 1990, to 185,000 in April, 1991.

Community workers tell of young people with too much time on their hands, living aimlessly lives which are increasingly isolated and alienated from "mainstream" society. Since many deprived areas are likely to suffer high unemployment for a long time to come, one possibility

would be the greater use of community service schemes to motivate young people.

Suggestions for compulsory community service schemes have traditionally been dismissed as akin to military conscription, but Mr David Pichaud, the professor of social administration at the London School of Economics, argues in the *Journal of Political Quarterly* that it is absurd for Britain to use community service as a penalty for criminal behaviour rather than on a wider basis. Involving young people in community service could, he believes, "act as a major integrative force in society".

The Prince of Wales, a long-stand-

Dick Evans would probably have liked to have been portrayed as "man in the news" any week except this one.

During the last few days, British Aerospace's chief executive, a relatively discreet public figure for the last 18 months, has been propelled on to the front stage with his company's announcement that its pre-tax profits would nose-dive this year (to about £150m from £378m last year) and that the company would take a £250m exceptional charge for restructuring in the second half.

His colleagues say he thrives on adversity. This week he has been given the chance to show it, especially as he has been made to take a higher profile now that Professor Sir Roland Smith, BAe's chairman, has decided to step back and adopt, in the professor's own words, "an elder statesman" role.

Since the launch of its £432m rights issue this week and its far worse than expected financial results, BAe, one of the country's biggest manufacturing companies, has been engulfed in controversy and its shares have lost a quarter of their value in a single week.

But in his shirt sleeves and with his bluff, plain speaking manner, Mr Evans seems to be taking the situation on the chin without appearing to lose any of his characteristic confidence or long-term optimism. "The UK recession has been a hell of a lot deeper and the rate of decline occurred quicker than we projected," he admits. "I've been in this job 18 months and made a lot of effort in putting together a cohesive strategy for BAe."

The strategy, he explains, is to build on BAe's inherent strengths to make it number one or two in its core sectors, consolidating and diversifying the financial risks of its commercial aircraft activities through international collaboration, and continuing to invest in the European Airbus programme and the Rover car operations. "We must concentrate on the key areas and not be sidetracked into *cursus de sac*. We are

## MAN IN THE NEWS

Dick Evans

## Super salesman who wields the broom

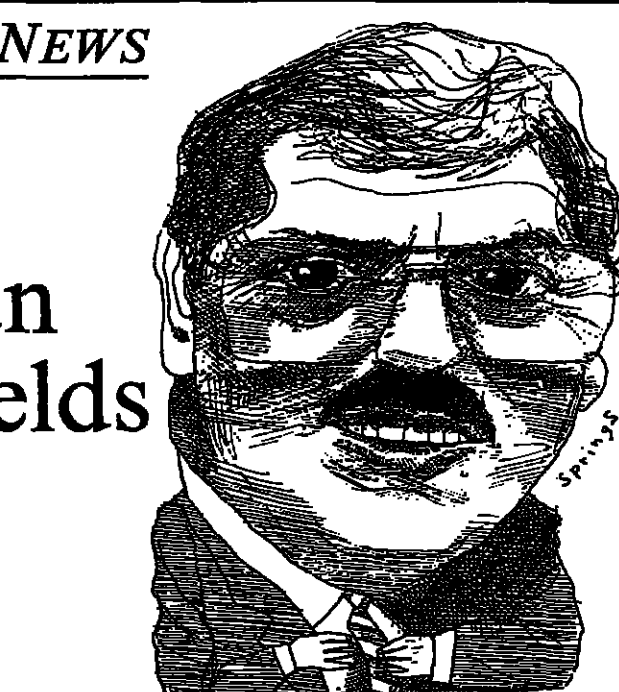
By Paul Betts

at a turning point."

Inside the company he commands considerable loyalty, far more, his colleagues claim, than his suave and worldly predecessor, Sir Raymond Lygo, who, unlike Mr Evans, was at constant loggerheads with Professor Smith. A stocky Blackpool man with a moustache, the 49-year-old Mr Evans is not the urbane sort of figurehead one associates with an institution such as BAe. But he is a strong motivator, reflecting that down-to-earth professional ethos of northern technically-orientated company men.

He is also a super salesman - perhaps the best BAe has had and the architect of the huge Saudi Arabian Al-Yamamah defence contract which has already produced more than £3bn of revenues for the company. His Saudi connections, and the Saudi goodwill he commanded, were believed to have been among the factors in his appointment as chief executive.

Mr Evans has risen quickly up the internal ladder. From a contracts officer at the Warton



military aircraft plant in Lancashire in 1969, he was later responsible for setting up Jaguar fighter aircraft production in India. He became BAe's marketing director in 1987 and head of the group's defence companies the following year.

He will now have to deploy all his marketing skills to restore institutional and market confidence in his company which, he readily acknowledges, remains misunderstood because of the complexity of its structure and diverse activities - ranging from military and civil aircraft, to cars, property and telecommunications.

Restructuring is not new at BAe. The company has been consolidating its aerospace operations and diversifying into new civil sectors for the past 10 years. But Mr Evans has had to accelerate this process because of the twin consequence of the post-Cold War decline in the defence business and the recession which has conspired to hit all of the company's main civil activities.

Mr Evans has decided to make the additional restructuring

costs over seven years. These efforts will lead to several hundred million pounds of annual savings, Mr Evans says.

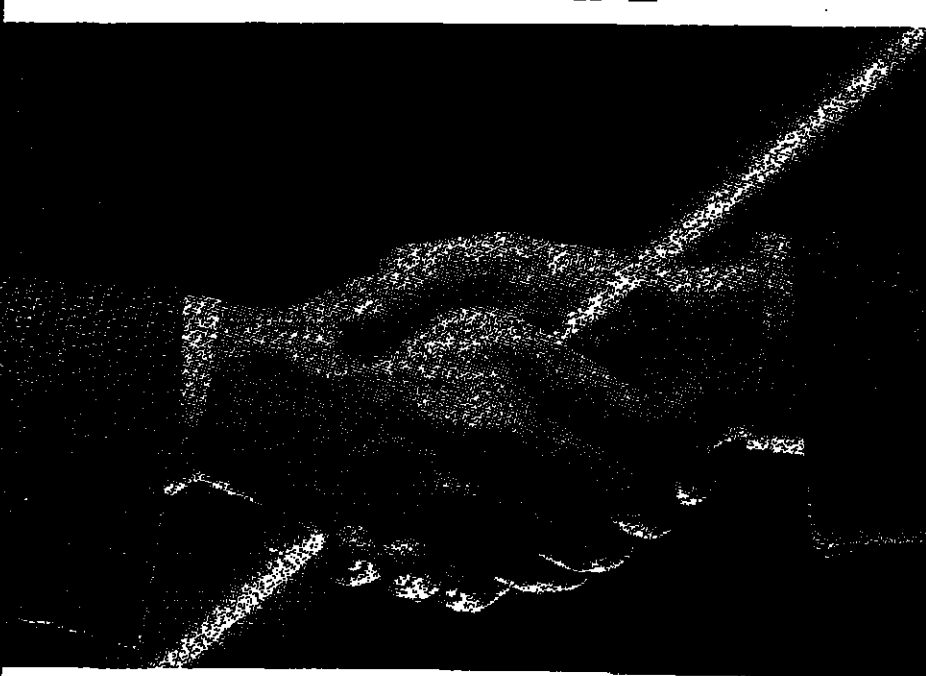
Did the management misjudge the scale of the problems facing the company? "We were perhaps a bit optimistic about recovery prospects after the Gulf war. All the cycles of our businesses went wrong at the same time," he says candidly. But he becomes quickly irritated by what he regards as superficial analyses of the company's problems and challenges. He bristles at suggestions that the company should have foreseen the need to speed up its restructuring ahead of the current downturn.

"It's easy to be a smart Alec." Although Mr Evans sees no signs of an early recovery in the company's main markets, he emphasises that there are no "black holes" in the company. However, with little prospect in the next couple of years of the company producing the sort of pre-tax earnings investors had been expecting before the beginning of this week, Mr Evans and his team will have to be particularly persuasive to restore City confidence in the group.

He does have one big trump card. If he succeeds in negotiating rapidly the implementation of the long-awaited second phase of the Al-Yamamah contract, sentiment in the company's fortunes are likely to swing round quickly. Although the second phase in the Saudi contract - the world's single largest defence export order - would not have any immediate impact on earnings, it would underpin for the next 10 years the company's defence business, which still accounts for most of BAe's earnings.

Negotiations are continuing and there is every indication that phase two is required," Mr Evans says. This would ultimately support continuing annual sales of about £2bn a year for the rest of the decade. Large as this figure may seem, it is the equivalent of the company's annual wage bill. That is the scale of the challenge now facing Mr Evans.

## Traditional values - the modern approach



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مکتبہ امینہ لکچر



The former senior Independent journalist, who teaches at a literary academy to describe the changes since Andreas Whitman Smith launched Britain's first new quality daily this century on a wave of idealism. It was, he says, like Orwell's Animal Farm where all the animals started equal after they chased the hated humans away. But then the pigs began wearing clothes and sleeping in beds and thinking they were very special.

Mr Whitman Smith and the other founders of the Independent have already secured a place in British newspaper history for pulling off what was probably the most remarkable press launch this century. However, the applause and prizes have now faded, and the organisation is having to come to terms with an exceptionally difficult climate. It is proving a painful readjustment for all concerned.

"At the beginning Andreas was a journalist among journalists and was very deliberate in talking to journalists and eating in the canteen. Almost all this has stopped now," says the journalist.

Stephen Glover, one of the three Daily Telegraph conspirators who shared a dream and a bottle of whisky in Andreas Whitman Smith's kitchen in the summer of 1985 as they planned the new paper, puts it slightly differently. Since its launch in October 1986, the Independent had gradually

become like other papers "with politics, power centres, rules and conventions". Mr Glover was foreign editor of the Independent and editor of the Independent on Sunday until he lost a power struggle in May and failed to stop the merger of the daily and the Sunday titles. He has signed up to write a book about the tribulations of the Independent - problems that led to his own resignation, though he remains a non-executive director.

In recent weeks Andreas Whitman Smith has had little time to wonder whether the Independent has lost some of its initial idealism. He has faced more pressing problems. Last month Newspaper Publishing, the company that owns the Independent, buffeted by the sharpest advertising recession for broadsheet newspapers this century, announced a steep rise in losses for the six months to the end of March to \$6.45m, although this included \$1.9m for 56 redundancies.

At the same time the paper launched a refinancing designed to raise more than \$16m - \$8.25m from a rights issue and \$7.75m from a new loan facility. The rights issue was underwritten by Newspaper Publishing's two major shareholders, La Repubblica Italiana (which publishes La Repubblica in Italy) and Promotora de Informaciones, publishers of El Pais in Spain - closed yesterday afternoon.

The two continental European publishers already hold

Raymond Snoddy on adjustment at Britain's newest quality daily

## Pains of Independence

14.9 per cent each after the last \$21.5m refinancing 10 months ago. If they had to take up all the new shares their stakes would rise to a total of just under 42 per cent. This is unlikely as some existing shareholders are subscribing.

But the deal means that an extraordinary general meeting on Monday will vote on lifting current barriers in the company's articles of association to any shareholder owning more than 15 per cent - the cornerstone of the paper's independence from established newspaper proprietors. Pessimists warn this could lead to an eventual takeover of the paper.

The prospectus for the rights issue does carry an unambiguous health warning. It says the company's projections assume the beginning of an upturn this autumn with a general strengthening of the UK economy throughout next year.

The Independent is not counting on much real improvement in advertising revenue in the next 12 months. A further round of cost-cutting is being planned - although no journalistic redundancies designed to save more than \$2m a year. A wage freeze for staff is also likely until the



recession is clearly over.

"We're like a destroyer escorting an Atlantic convoy in the war. We're battered, shot up and the paint is peeling, but we're close to port and all the guns are still working," says Mr Whitman Smith, smiling with contentment at the image he has conjured up.

Unless the recession takes a turn for the worse, he is probably right. But whatever happens structural changes are under way at the top with a *de facto* split of Mr Whitman Smith's dual role as chief executive and editor. Some who know him well are critical of him as a man-

ager. As a former financial journalist he is at home with numbers and budgets. "But he'd far rather make speeches to conferences in Bogota or have lunch with Douglas Hurd (the UK foreign secretary) than squeeze more revenues out of the classified advertising department," said a former

Independent journalist. Yet because of his chief executive duties Mr Whitman Smith too seldom does what even his critics acknowledge he does well - edit a national newspaper. Instead the orchestra often

plays by itself or under the baton of Mr Matthew Symonds, executive editor and the third of the Independent's founders. Despite some board disquiet Mr Whitman Smith is likely to keep the title of chief executive with a new managing director taking over much of the day-to-day management duties.

No one could have forecast the full depth of the advertising recession but most of Mr Whitman Smith's critics home in on the fact that he chose to launch a Sunday newspaper when he did: just as the gloom was gathering. The move turned a profitable company planning to float on the Stock Exchange into a loss-making enterprise dependent on new shareholders for survival.

After all, the company had spurned a chance to enter the Sunday market earlier. The idea of launching a Sunday was mooted in October 1988 by Henry Porter, then editor of the Illustrated London News, and Stephen Fry, then editor of Business magazine, during a meeting with Mr Whitman Smith at London's Garrick Club. But nothing came of it.

After a period of confusion the Independent on Sunday was launched against the Sunday Correspondent in January 1990 and clearly contributed to

the Correspondent's demise. In May this year, with Newspaper Publishing incurring heavy losses, the merger of the Sunday and daily papers was pushed through over considerable internal opposition.

Mr Glover argued for continued separation and for a drive to raise new money to see the Independent on Sunday through to profit. Mr Porter was involved with a group of journalists trying to find a new majority shareholder for the Sunday. There were talks with the Washington Post. Mr Whitman Smith and the board responded with an emphatic "No".

Mr Whitman Smith is adamant it was important for the company to enter the Sunday market and is philosophical about the resulting difficulties. Since the merger the Independent on Sunday's circulation has been rising gently to around 400,000. The daily at around 300,000 is only 30,000 below its peak.

The Independent was launched at a most propitious moment with advertising revenues rising and the powerful newspapers momentarily distracted by "the Fleet Street revolution". With the less fortuitous timing of the Sunday Mr Whitman Smith believes his luck was evened up.

"I have nothing to complain about. I've had some aces and I've had some twos. We haven't always had a handful of trumps but there will be some good cards," he says.

Havana, once the largest and most opulent town in the Caribbean, has gone suddenly quiet. There are few cars. Most supermarkets have been closed; the largest, Centro Comercial, is now a computer centre. The houses, which generally pre-date the revolution, are slowly crumbling. At street corners, people queue patiently for food.

Cuba is an island adrift. This week the Soviet Union largely abandoned its former satellite by promising to withdraw 11,000 soldiers, leaving only a much smaller training force, and to base trade on "commercial interests" alone. Cuba's recent overtures to Latin America have been largely ignored. The US, seeing the imminent fall of President Fidel Castro, is watching closely.

"Every day," says a 56-year-old Cuban journalist "the situation becomes more difficult". Some things - such as cheese, ham, televisions or fridges - cannot be bought legally. Many rationed goods - such as soap - are available only on the black market. The sense of malaise has affected Cuban officials. "This is the worst situation in my 24 years at the central bank," says a vice-president. Mr Ramon Amado Blanco.

Officials freely admit that the

economy is reeling from the collapse of Comecon trade. By some estimates, trade with eastern Europe excluding the Soviet Union - which used to represent about 15 per cent of total trade - has fallen by 90 per cent this year.

Eastern European supplies of butter, buses, medicines, grains, and fertiliser have almost stopped. In all, total Cuban trade fell roughly 25 per cent in the first half of 1990 compared to the first half of 1989.

Most Cubans are resigned to the worst, partly because the government has been preparing them for it since last year with a special austerity programme. A recent editorial in Gramma, the Communist party newspaper, said bluntly: "The difficulties which we will have to face could be much greater."

Little by little, the range of goods available to most Cubans have been reduced. Earlier this year, eggs and bread were rationed for the first time. Last week, the government rationed vegetable oil; this week tobacco.

The rationing, the government says, is still sufficient to ensure no-one goes hungry. While some medicines are difficult to obtain, the level of medical care seems not to have fallen substantially.

But, says Alberto, a young student sitting on the steps of Havana university, the people are growing tired. Cubans have to spend more and more time waiting in queues to ensure they obtain their allotted food. On 19th street in Miramar, a smart residential district in west Havana, the breadline starts at about 4.00am. At 10.00pm you still have to wait for a couple of hours to buy two small pizzas in a store behind a giant ice-cream parlour.

Leyla, a doctor of philosophy and mother of a two-year-old girl, spends two hours every morning waiting in line to buy bread, and another hour waiting to buy milk. Every day she goes to the market to see if rice, oil or fish have arrived.

Despite bleak prospects, Mr Castro, trapped by the rhetoric of his revolution, has shown no inclination to open the economy; none of the innovations that have invigorated the economy of that other Communist bastion, China, are envisaged. Bank of Cuba officials

say the government will not introduce a peasant's market in agriculture; nor will it privatise small businesses. "How can you have private businesses when everything is rationed?" one asked.

Implausibly, Cuban officials believe the country will be bailed out by foreign investment. The government has suggested that rules restricting such investment will be bent where necessary. Grupo Sol, the Spanish hotel company, is spending \$150m developing the beach at Varadero; the government claims the number of tourists coming to Cuba will rise from 340,000 last year to 1m in 1995.

The decline in Cuban living standards and state domination of supply already threatens the tourism sector. Some goods in tourist hotels - such as bread in the Hotel Victoria in Havana (\$90 a night) - are unavailable.

There is, too, resentment at what is a form of dollar apartheid. The old pre-revolutionary nightclubs

and bars - such as La Bodeguita, once a haunt of Ernest Hemingway - are again only open to those holding dollars.

While living conditions deteriorate, there is no sign of overt opposition within Cuba. This year, for example, a record number of Cubans - about 100,000 - have volunteered to plant crops, as part of the government's unsuccessful drive to become food self-sufficient. The Pan-American games, held in Cuba last month, would have been the ideal moment to hold a protest. Yet they went by without a whisper of discontent.

"Castro," says a European diplomat, "retains the admiration of the older generation and respect from the younger". Those who do not respect him tend to leave for Miami.

Often the same people who complain about falling living standards offer Castro their guarded support, if only for the sake of stability. A 58-year-old school teacher, in a typ-



Castro: no signs of wanting to open up the economy

ical response, says she wants him to stay: "If tomorrow there was change, I don't know what would happen."

Mannel, a 42-year-old television cameraman who complains bitterly about deteriorating transport, says: "Ideally, Fidel is the person who can make the changes. And if he does not want to? Then perhaps we should have someone else?"

But Fidel Castro seems unwilling to change the system he created. In the past decade he has jettisoned (or imprisoned) many of his close advisers, and with his brother Raul looks isolated, both in Cuba and outside. Unless Fidel discovers new friends soon, the economic system he made will probably collapse from within. Cubans seem willing to wait.

## LETTERS

### Developers and market research

From Mr Charles Trevail

Sir, Why should any of us be surprised to find so many City office buildings empty? Your article "Withdrawing on the Wall" (September 9) condemned MEPC for creating a white elephant. MEPC is not alone. UK developers have traditionally made multi-million-pound decisions on gut feelings and got away with it.

The property industry must be unique in investing so much money on such little evidence. It is rare for developers to research the needs of their customers - a fundamental starting point in the development of a new product for our supermarket shelves. Surely the responsibility upon them is so much greater, since monumental buildings such as Alpa Gas cannot be withdrawn when they go past their sell-by date.

Our planners should demand professional independent market research from developers, which clearly, they do not. Demand for the type and size of a property development prior to granting planning permission. Charles Trevail, Director, Simpson Turrell, 8, St James's Place, London WC2N 9QA

### Bad advisers more likely to rebate commission

From Mr D Scott

Sir, Your September 7/8 Weekend article headed "Investing for Income: 10 Top Tips" stated: "Make sure you get a rebate on commission, as you can from most good advisers."

I would suggest that the converse of your statement is more likely to be true, that is: "A bad adviser is more likely to offer a rebate of commission."

Rebating commission can be justified by an "adviser" who has not spent any time in analysing the client's specific background and individual needs, but has transacted the business on an "execution only" basis and banked some commission for acting merely as a post office to the invest-

ment house, with the remainder of the commission being rebated to the client.

Good advisers tend to give value for money with remuneration, either fee or commission based, being related to their time spent on the client's case. Finally, out of all retail businesses, can you tell me why journalists advocate that clients haggle about rebates only in the financial advice sector? Why not haggle down the High Street when next buying a cooker, a carpet, a joint of meat, etc?

D. Scott, Corporate Pensions and Financial Services, 3rd floor, Mercantile Chambers, 53 Bothwell Street, Glasgow G3 6TS

### Follow the republics' example

From Mr Bernard Jenkin

Sir, As the European Community progresses towards a single European currency, it is ironic that the Soviet Union's seceding republics are insisting upon the establishment of their respective independent currencies.

They believe that their

reborn national sovereignty depends upon their having separate currencies. Are they wrong?

Bernard Jenkin, Conservative prospective parliamentary candidate for North Colchester, 73 Maldon Road, Colchester, Essex.

### Short-termism causes lack of investment in R & D

From Mr Oliver Chastney

Sir, How right Gerald Aivon is in Letters, August 27 in observing the desperate need for a change in our attitude to investment in R & D in this country. Not only to ensure the success of the relatively small R & D sector - important though this is - but to guarantee any faint chance of our manufacturing industry surviving much beyond the end of the century.

Those of us engaged in research and development projects for overseas manufacturers are only too aware of the critical advantages of this enlightened form of investment, albeit long-term by UK standards. It is depressing enough to see Far Eastern, European and US industries pulling even further away from us year by year, but a glance in the rear-view mirror reveals a troubling number of emerging economies impatient to overtake.

Fax service  
LETTERS may be faxed on 07-473 8838. They should be clearly typed and not handwritten. Please use fax machine for resolution.

### Britain needs a central bank

From Mr W Grey

Sir, Mr Frank Blackaby showed again ("Europe's goal should be to restore full employment", September 6) his heart is in the right place.

But can you permanently have full employment, or low unemployment, without low inflation - or without something like the price stability-oriented ERM he castigates? Haven't we had our fill of inflationary boom and deflationary bust, the second following the first as surely as night does day? And doesn't a blameless government deserve some praise, particularly in the run-up to an election, for having apparently - learned this lesson at long last?

Of course, the anti-inflationary, full-employment edifice we all seek will not be complete until we ourselves have an independent central bank like the ERM's anchor - until, finally, an independent European central bank supervenes. W Grey, 12 Arden Road, Finchley, London N3 3AN.

### Putting Labour's unemployment record in perspective

From Mr John Wells

Sir, The claim by Michael Howard, secretary of state for employment, that "every Labour government since 1929 has doubled unemployment" (Labour rules out target on jobs - September 10) cannot pass without comment.

The relevant statistics are reported in the table. The sharp rise in unemployment during the early stages of the great Depression was not, in all fairness, the unique responsibility of the 1929-31 Macdonald government: the origins of the Depression lay mainly in the US, whose recessionary impulses were then powerfully amplified by developments in international finance and trade.

The post-war Labour government actually presided over a reduction in unemployment - if 1946 is, more fairly, taken as base, reflecting the impact of demobilisation and the return

Election/ new government	State ref period	Unemployed (000)	Working population (000)	Unemployed (per cent)
1929 June	1929	1,503	20,962	7.3
1931 August	1931	3,252	21,917	15.1
1945 July	1946	400	23,400	1.9
1951 October	1951(4Q)	270	23,958	1.1
1964 October	1964(4Q)	363	25,275	1.4
1970 June	1970(2Q)	585	25,341	2.3
1974 February	1974(1Q)	607	25,586	2.4
New series on consistent basis				
1974 February	1974(1Q)	472	25,605	1.8
1979 May	1979(2Q)	1,088	26,580	4.1
1983 June	1983(2Q)	2,765	26,634	10.4
1987 June	1987(2Q)	2,944	26,507	10.5
1992 (?)	EC forecast	3,100	28,500	10.8

Source: Fatsakis, National Income, Expenditure... CSD, Economic Trends Annual Supplement 1988, 1987, 1991; EG forecast, FT July 19 1991

to more normal labour market conditions.

In the post-1945 period, UK unemployment is, strikingly, always higher at the end of each administration's period of government than when coming into office - regardless of the party in power: a reflection,

surely, of a shared failure to address the country's long-standing deep-seated economic problems.

The 1979-91 Conservative administration will be no exception - bequeathing to its successor unemployment between 2.5 and 3 times the

level which it inherited (and a weaker balance of payments) - the precise extent depending, of course, on the timing of the general election.

John Wells, Faculty of Economics and Politics, University of Cambridge

### ADVERTISING BUILDING SOCIETY INVESTMENT TERMS

Product	Rate	Term	Interest	Minimum	Access and other details
Alliance and Lister	12.25	1 Year	12.25	£10,000	2yr term 10% inc. acc. for 1st 10m
Special Return	12.25	1 Year	12.25	£10,000	11.40/11.00/10.25/9.50
Widely Day	11.75	1 Year	11.75	£25,000	10.55/10.10/9.35/8.60
Midday	10.75	1 Year	10.75	£25,000	9.90/9.55/8.80/8.05
Instant Access	10.75	1 Year	10.75	£10,000	28 days notice, inc. acc.
Term	12.40	1 Year	12.40	£10,000	30 days notice
Savemy	11.75	1 Year	11.75	£50,000	60 days notice, inc. acc.
Savemy Plus	11.75	1 Year	11.75	£50,000	90 days notice, inc. acc.
Quantum High Inc	11.88	1 Year	11.88	£10,000	12m notice, inc. acc.
Quantum Plus	11.88	1 Year	11.88	£10,000	12m notice, inc. acc.
Maximiser Bonus	9.00	1 Year	9.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	10.00	1 Year	10.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	11.00	1 Year	11.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	12.00	1 Year	12.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	13.00	1 Year	13.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	14.00	1 Year	14.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	15.00	1 Year	15.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	16.00	1 Year	16.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	17.00	1 Year	17.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	18.00	1 Year	18.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	19.00	1 Year	19.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	20.00	1 Year	20.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	21.00	1 Year	21.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	22.00	1 Year	22.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	23.00	1 Year	23.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	24.00	1 Year	24.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	25.00	1 Year	25.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	26.00	1 Year	26.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	27.00	1 Year	27.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	28.00	1 Year	28.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	29.00	1 Year	29.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	30.00	1 Year	30.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	31.00	1 Year	31.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	32.00	1 Year	32.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	33.00	1 Year	33.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	34.00	1 Year	34.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	35.00	1 Year	35.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	36.00	1 Year	36.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	37.00	1 Year	37.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	38.00	1 Year	38.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	39.00	1 Year	39.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	40.00	1 Year	40.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	41.00	1 Year	41.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	42.00	1 Year	42.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	43.00	1 Year	43.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	44.00	1 Year	44.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	45.00	1 Year	45.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	46.00	1 Year	46.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	47.00	1 Year	47.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	48.00	1 Year	48.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	49.00	1 Year	49.00	£10,000	12m notice, inc. acc.
Maximiser Bonus	50.00	1 Year	50.00	£10,000	12m notice, inc. acc.



## UK COMPANY NEWS

## Brent Walker delivers ultimatum to Lonrho

By Roland Rudd

BRENT WALKER yesterday gave Lonrho a deadline of mid-night on Tuesday to agree to a series of strict conditions for proceeding with its rescue proposals for the financially stricken insurance group.

The move took the steering committee of its 47 banks by surprise.

A senior member of the committee yesterday said the company has issued the ultimatum without seeking the approval of the banks, some of which had recently suggested that they might be willing to consider seriously the Lonrho proposals.

In a confidential letter from Hill Samuel to Hambros Bank, Brent Walker told Lonrho that it would only consider its rescue offer if it could provide the following guarantees in writing:

- The due diligence audit of the company would have to be completed within 48 hours.
- Lonrho recently agreed a condition set by the banks to conduct a financial investigation within three weeks.
- A loan facility would have to be provided by Lonrho during the due diligence exercise but it would have no standing against other Brent Walker creditors' claims. The interna-

tional trading company originally agreed to provide a bridging loan while it conducted its financial investigation of the company. But it stipulated that its loans should rank above claims of all other creditors.

If the first two conditions are met, Lonrho would be expected to make an unconditional offer for Brent Walker.

A Lonrho director immediately rejected the proposals. He feared that unless Brent Walker's banks intervened to water down the conditions the company would yet again be faced with liquidation.

Brent Walker yesterday said that its needs were different to its banks. Its directors had to have firm written guarantees from Lonrho in order to decide whether it was lawful to continue trading given the serious financial condition.

Hill Samuel is working on new proposals to offer Brent Walker's shareholders in the event of Lonrho rejecting the offer.

The bank is hopeful that it can produce a formula which would offer bondholders greater security without the banks having to sacrifice too much value.

However, several of the bondholders re-iterated their



Tiny Rowland: strict conditions demanded

opposition to any proposals linked to the banks' reconstruction plans, which were rejected earlier in the week.

One bondholder yesterday said: "There is no way that we are going to consider any new proposal linked to the banks' reconstruction plan."

## Eagle Star to quit mortgage insurance pool market

By Richard Lapper

EAGLE STAR, the insurance subsidiary of BAT Industries, is to quit the pooled mortgage insurance market.

This market allows mortgage lenders such as National Home Loans Corporation and the Household Mortgage Corporation - which lack a retail network - to raise funds by securitising pools of their own loans for sale on the capital market.

Eagle Star, which, together with Sun Alliance, controls about 80 per cent of the market, is to withdraw after providing for claims of £20m.

These claims, incurred over a number of years, compare with annual premiums of about £10m and were fully provided for when Eagle Star announced its exit in late 1989.

The news could spark further worries about the mortgage insurance market following disclosures during the last month of the extent of insurers' provisions against domestic mortgage indemnity claims (which insure lenders against losses arising from default of individual mortgages).

Eagle Star itself is making provisions of £121m and this week Legal & General said it was to make provisions of £24m for claims.

However, losses from pool policies are not expected to be as serious as those arising from domestic mortgage indemnity policies. Both domestic mortgage indemnity policies and pooled mortgage policies cover losses that arise when a lender is unable to recoup the full value of a mortgage after the sale of a repossessed property.

Mortgage indemnity covers losses down to 70 per cent of the value of the mortgage. Losses arising when a lender is unable to recoup less than 70 per cent of the value of a mortgage from the sale of a repossessed property fall on the pool, which effectively provides a form of catastrophe insurance. Within the pool arrangement the lender usually carries a deductible, equivalent to 1 per cent of the value of the mortgage.

Eagle Star will retain an involvement in the domestic mortgage indemnity market although it will seek to increase premiums. Last year the group withdrew from the market for the insurance of commercial development loans, announcing later that it was providing for losses of £200m on this business.

## Wills calls for £1.7m in refinance package

Wills Group, the marketing services and automotive products maker, has announced a rights issue and capital restructuring. It is raising £1.7m through a 4-for-1 underwritten rights issue at 3.5p per share. Some £1.5m of the proceeds will be used to repay loans and the remainder to provide additional working capital.

The refinancing proposals also involve Wills' bank capitalising the balance of their loans £450m into 4m new convertible redeemable 11 per cent preference shares, a capital reduction to reduce the nominal value of the shares and to cancel the share premium account and the reduction or elimination of the deficit on the profit and loss account.

About 50m new 1p shares will be issued, and up to 11.2m warrants on the basis of one for every five shares taken up. The warrants carry the right to subscribe for one new share at 5p between January 1 1992 and February 1 1994.

The shares closed 3p down at 5p.

## Last-ditch stand against the US siege

Bronwen Maddox on Molins' vital EGM in its fight against Leucadia

A PART FROM clocking up three chairmen and three managing directors in four years, remarkably little has changed about Molins' business, one of its large shareholders commented drily yesterday.

Mr Michael Orr, since May the occupant of the top seat at the Milton Keynes-based precision engineering group, knows he has a case to prove. On October 1 at an extraordinary general meeting, Molins will defend its independence for the fifth time in four years.

Leucadia, the US manufacturing and financial conglomerate and 48.5 per cent shareholder in Molins, will try - for the second time since its May 1990 takeover bid was rejected - to seize board control by replacing three Molins directors with six of its own.

Molins' success depends on convincing shareholders that it has addressed the problems that lured the bidder: an erratic profit record, alleged neglect of new products, and a tempting pension fund surplus.

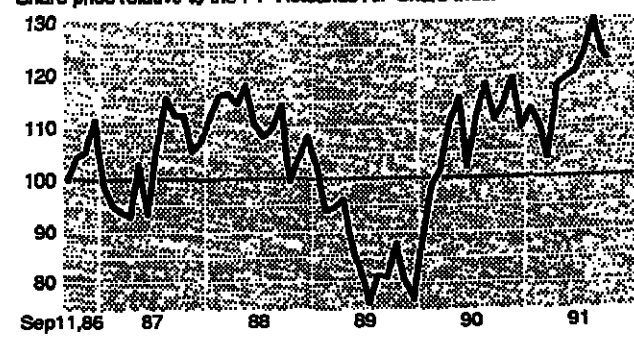
Certainly on the first point Mr Orr can afford to sound relaxed. Pre-tax profit has risen by 72 per cent to £15.2m in 1990 since the 1988 slump and earnings have more than doubled to 36.5p (16.3p).

The criticism of under-investment in tobacco machinery manufacturing, the main engine of profits, is less straightforward.

Mr Orr rejects the challenge that Molins' cigarette-making technology has advanced little since the early 1980s. He points to continued R&D spending of about \$5m a year, a per cent of 1990's turnover. The latest development, the Passim 7000

## Molins

Share price relative to the FT-Actuaries All-Share Index



Source: Datastream

maker of high-quality cigarettes, should start shipments within months.

The second battlefield has been the pension surplus. Valued by Molins' actuaries at \$85m, it is by any standards a hefty chunk of the present \$100m stock market value.

The emphasis Leucadia gave it in a high-tech business, argues the March 1990 offer documents has prompted City comments that the US company was primarily interested in Molins for its break-up value.

But the value may not be quite what it seems. Molins is free to take a holiday from contributions to its pension scheme based on that \$85m valuation. But the cash it could distribute back to the company is limited by the actuarial definitions in the pension legislation, and those indicate a much lower surplus of only \$35m-\$40m.

It is, however, taking the steps to release that money, by constructing a new trust with the required powers.

After 18 months under siege from Leucadia, this might seem an approach related to the point of complacency - or exhaustion. Certainly those who think hostile bidders are a spur to sleepy management will hardly find Molins a textbook example.

But continuity rather than revolution is the key to growth in a high-tech business, argues Mr Orr, and dramatic change would be inappropriate.

He acknowledges too that the siege has brought its own strain. Defence costs alone have run to \$25m-\$30m and "understandably customers worry, and it may have restricted our ability to recruit some key staff."

New in the job, Mr Orr is hardly going to add himself to that list. Indeed, he has impressive credentials though no manufacturing pedigree. Previously head of investment banking at Merrill Lynch Europe, he has also been a senior director of SG Warburg and group finance director of Grand Metropolitan, the food and drinks group.

He will get a first answer on

the future of his job on October 1. As shareholders rejected Leucadia's proposal last year to reshuffle directors, it would be surprising if they passed it this time. Not just because they have been wooed by Molins' improved profits but because Leucadia's gains control without making a full offer to shareholders.

"It is certainly within the letter of the Takeover Code, which governs takeover procedure on the London Stock Exchange, but it is inequitable," says one large shareholder.

The shareholders are few but vocal - 25 own 50 per cent with M&G the largest with 18.1 per cent - and a mere 500 shareholders holding the 1.5 per cent balance.

The battle hardly ends in October. Even if Leucadia's proposals are rejected, it is still allowed to buy a further 2 per cent a year, which could give it a 50.5 per cent majority shareholding next August.

That seems inevitable, unless Molins issues more shares. In the year and a half Leucadia's holding, hence the significance, some feel, in Molins' own resolution at the October EGM to get shareholder permission to increase the share capital by about 27 per cent at its own discretion.

Not an unusual proposal for a financially acquisitive company, but that has hardly been Molins' past style.

That raises the question of whether Molins will finally be pushed into departing from its unruffled approach and into making a large acquisition, whether its shareholders will let it.

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## 1992 pay-out for B&amp;C creditors

By Norma Cohen, Investments Correspondent

ADMINISTRATORS for British & Commonwealth Holdings have raised £474m from the sale of assets of the financial services group, and creditors may receive their first distribution early next year.

Mr Stephen Adamson, of Ernst & Young, administrator for the group, said in the half-yearly report to creditors that £53m has been raised in asset sales over the past six months and that disposals were continuing.

The report makes clear that while creditors will be receiving a portion of their funds, there is no prospect of any returns to shareholders.

Meanwhile, administrators are still considering a flotation of Exco, B&C's money-broking arm, in the absence of a suitable third-party bid for what had been considered the

group's most profitable division.

Mr Adamson said: "Exco is trading profitably," although its performance has been hampered by a recent slowdown in business. Exco's management has taken a number of steps to make the unit a more attractive asset for flotation, including the agreement of a cross-broking arrangement with a German firm.

SG Warburg is advising on the timing of the possible flotation.

Creditors of British & Commonwealth Merchant Bank can expect to receive a dividend of 43p in the pound in early October, for a total return of £150m. Since the voluntary arrangement to realise its assets was agreed, liquid assets have risen while expenses have declined, making it likely that creditors

will eventually be repaid the £330m they are owed.

Separately, the administrators intend to pursue litigation against Quadrex Securities and Samuel Montagu, its adviser, at a hearing set to begin on April 22 1992. They are seeking £200m, less £20m-£30m a judge has ruled Quadrex can collect from B&C to compensate for non-fraudulent misrepresentations during talks on the sale of its wholesale broking division.

The administrators said they will seek to collect from both Quadrex and Montagu. "We have to take a view as to who is more able to pay," said Mr Peter Phillips, legal adviser to the administrators.

Thus far, B&C has paid its administrators £7m in fees and paid another £15m in accountancy and legal fees.

## Receivers called in at Ramar

By Richard Gourlay

RAMAR Textiles, the troubled supplier to Marks and Spencer, has called in its administrators, receivers a day after shareholders were due to have approved a financial restructuring.

Grant Thornton, the receivers called in by Ramar's banks, said the receivers had been negotiating "with an interested party and a deal is said to be imminent." Mr Allan Griffiths, of Grant Thornton, said that if

the deal went through the 510 strong workforce would not be taken over by the purchaser.

On Tuesday when Ramar's shares were suspended at 14p, the company said its poor financial position had caused production difficulties which meant it was unable to meet orders.

As a result Samuel Montagu withdrew its underwriting for a rights issue and share plac-

ing which would have given the company £6.4m of new funding.

The placement would have been to Mr Richard Carling, a businessman with clothing industry interests including half of Together, a joint venture with Otto Versand, the German group. It would have lifted his interest in the enlarged Ramar to 29.9 per cent.

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## Co-op Bank falls sharply in first half

By David Bachard

Pre-tax profits at Co-operative Bank fell sharply from £5.5m to £700,000 in the first half of the year.

The fall was largely caused by an exceptional debit of £3.9m on restructuring the group. Despite this, the bank, which is mutually owned but has 580m of preference shares traded on the stock exchange, said yesterday that it was generally pleased with the result.

Losses per share came to 0.4p per share (earnings 0.1p). The bank said that it had raised its provisions against bad lending, but declined to give details.

Monday September 16 is D-day for Rascal Telecom, the operator of the Vodafone cellular telephone network, when it finally parts company with Rascal Electronics.

The £3bn demerger one of the largest corporate break-ups in history, brings to the FT-SE 100 index a company which has enjoyed a decade of strong growth within Sir Ernest Harrison's electronics company.

But ironically, the run-up to the demerger has fuelled speculation about a hostile bid for the remaining Rascal Electronics, stripped of its 80 per cent stake in Rascal Telecom, which it will distribute to Rascal Electronics shareholders.

The speculation has been partly responsible for the sharp rise in the price of the Rascal "Special Ex" shares, representing Electronics without Vodafone, which have been

trading on the grey market since September 2.

Whether or not a bid materialises, the price at which the Rascal rump is trading already supports Sir Ernest's view that the market has consistently undervalued its non-Vodafone businesses.

When Sir Ernest announced the demerger nearly a year ago, he argued that the Electronics share price implied the slump companies had a negative value.

But the "Special Ex" price, which has risen from 34p on September 2 to 45p yesterday, has surprised many analysts.

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## Bid speculation surrounds rump of Rascal Electronics

By Richard Gourlay

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Sir Ernest Harrison: willing to sell Chubb

Prices for electricity generated by the power stations listed below, based on the following assumptions:			
In United States Dollars			
Assumptions			
Production Price	Plant Price for 1970	Plant Price for 1975	Plant Price for 1980
in \$/MWh	in \$/MWh	in \$/MWh	in \$/MWh
1/2 hour period	Peak	Peak	Peak
	purchase	purchase	purchase
	price	price	price
0250	15.28	18.50	18.46
0300	15.67	18.50	18.46
0330	16.92	18.50	18.46
0400	18.82	18.50	18.47
0430	18.82	18.50	18.47
0500	15.81	18.51	18.51
0530	15.81	18.51	18.51
0600	15.80	18.50	18.50
0630	15.80	18.48	18.49
0700	15.87	18.51	18.51
0730	15.87	18.51	18.51
0800	15.86	18.51	18.51
0830	15.86	18.51	18.51
0900	15.86	18.51	18.51
0930	15.86	18.51	18.51
1000	15.86	18.51	18.51
1030	15.86	18.51	18.51
1100	15.86	18.51	18.51
1130	15.86	18.51	18.51
1200	15.86	18.51	18.51
1230	15.86	18.51	18.51
1300	15.86	18.51	18.51
1330	15.86	18.51	18.51
1400	15.86	18.51	18.51
1430	15.86	18.51	18.51
1500	15.86	18.51	18.51
1530	15.86	18.51	18.51
1600	15.86	18.51	18.51
1630	15.86	18.51	18.51
1700	15.86	18.51	18.51
1730	15.86	18.51	18.51
1800	15.86	18.51	18.51
1830	15.86	18.51	18.51
1900	15.86	18.51	18.51
1930	15.86	18.51	18.51
2000	15.86	18.51	18.51
2030	15.86	18.51	18.51
2100	15.86	18.51	18.51
2130	15.86	18.51	18.51
2200	15.86	18.51	18.51
2230	15.86	18.51	18.51
2300	15.86	18.51	18.51
2330	15.86	18.51	18.51
2400	15.86	18.51	18.51







## INTERNATIONAL COMPANIES AND FINANCE

## Two Cleveland banks to merge in \$1.2bn deal

By Martin Dickson in New York

SOCIETY Corporation and Ameritrust, two large banks based in Cleveland, Ohio, are to merge in a \$1.2bn deal which will create the largest bank in the state and the 24th biggest in the US, ranked by assets.

The agreement, the latest in a consolidation wave sweeping through the US banking industry, follows a bidding war for Ameritrust, which has a troubled loan portfolio, involving three Ohio suitors: Society, Banc One and National City Corporation. Banc One, one of the fastest expanding and most admired US super-regional banks, apparently dropped out of the running earlier this week.

Society, which is offering 0.65 of one of its shares for each Ameritrust share, has 350

banking offices in Ohio, Indiana and Michigan and a policy of expansion in the Great Lakes region. Its assets at the end of June totalled \$1.5bn. Ameritrust, with assets of \$1.7bn, has 212 branches in the same three states and a full-service trust operation.

The combined bank will take Society's name, but the trust business will be called Ameritrust.

Mr Robert Gillespie, chairman of Society, said consolidation of the two banks would involve one-time charges of \$90m to \$100m, but he anticipated achieving \$100m in annual cost savings within a year of the deal going through.

Mr Gillespie, addressing Wall Street concerns about the quality of Ameritrust's loan

portfolio, said an investigation by Society had found little of surprise in Ameritrust's current values. However, the bank might need to make additions to reserves of about \$100m to bring its ratios up to Society's levels.

"While there will be some temporary deterioration in Society's combined loan quality ratios on completion of the merger, I am confident that the combined bank will be identified," he added.

The bid battle was set off last May when National City disclosed it had made an offer for Ameritrust worth \$970m. National has some 15 per cent of retail deposits in the Cleveland metropolitan area compared with 16 per cent for Society.

## Shareholder rights activists win ITT pay campaign

By Martin Dickson

US SHAREHOLDER rights activists yesterday claimed a major victory in their campaign to link executive pay more closely to corporate performance, announcing that ITT, the insurance-to-hotels conglomerate, had provisionally agreed to substantial changes in the way it pays senior managers.

Mr Rand Araskog, ITT's chairman, became a lightning rod for complaints over executive pay earlier this year, when shareholder groups objected to the size of his 1990 pay package.

This was between \$10m and \$11.4m, a rise variously estimated at between 23 and 103 per cent, in a year when ITT's share value dropped by 18 per cent and profits rose only 4 per cent.

ITT yesterday acknowledged that, following discussions with investors, it was planning to put a new scheme of executive compensation before shareholders at next year's annual meeting.

It declined to give details, but said that the scheme would create a closer linkage between executive incentives and increased shareholder value.

However, it is understood that the plan, affecting the pay of around 500 senior managers, would involve both stock options and cash bonuses.

ITT executives would not be able to cash in their stock options until the company's share price had risen at least 25 per cent, or the options were due to expire.

Cash bonuses would be linked to the company's return on equity, which is widely used as a benchmark of corporate performance.

ITT's changes will encourage the activists to seek similar changes at other large companies where they claim pay and performance are out of kilter.

The United Shareholders Association, a prominent Washington-based investor rights group, said it was taking ITT off its list of 50 companies facing shareholder protest initiatives.

Mr Ralph Whitworth, president of the group, said the planned changes "will ensure that the irrational compensation received by ITT's chief executive last year will not be repeated."

ITT has consistently defended Mr Araskog's package, saying that it reflects his long term performance.

## Recession catches up with Intel

By Louise Kehoe in San Francisco

INTEL's share price plummeted 12 per cent yesterday morning after the Silicon Valley semiconductor manufacturer warned that third quarter earnings will be below expectations. In heavy selling, Intel was trading at \$43.40, down \$6 from Thursday's close.

For the past year, Intel's earnings have held up, in sharp contrast to those of other large US semiconductor manufacturers which have suffered the effects of the weak economy and turmoil in the personal computer industry.

It now appears, however, that the recession has finally caught up with Intel.

Intel warned yesterday that weak demand and soft pricing in some sectors of its business are expected to depress revenues and net income below the expectations of the company and Wall Street analysts.

Intel is a leading supplier of semiconductor chips to the personal computer industry and its earnings disappointment is a gloomy indicator for the personal computer market, which normally is strong in the fourth quarter.

The chip maker said that its

earnings will be dragged down by heavy price discounting in the market for EPROMs (erasable programmable read only memories), standard memory devices that are commonly used in computer systems.

Sales of Intel's own systems division, which manufactures personal computers and circuit boards, have slowed, the company said. In contrast, Intel said that sales of its latest generation of microprocessors, the devices that form the "brains" of personal computers, are expected to continue growing during the seasonally weak third quarter.

"The combination of seasonal weakness, a sluggish economy and a computer industry in rapid transition has produced poor results for commodity EPROMs, microcontrollers and PC platforms. August was slower than expected, and September isn't showing any great upsurge," said Andrew Grove, Intel president.

While demand for the latest versions of Intel's microprocessors, the 386 and 486 chips used in high end personal computers, continues to grow, Intel said that this increase was balanced by a decline in orders for older versions of the 386, which



Andrew Grove: August slower than expected

are among Intel's higher volume products.

This reflects moves by personal computer manufacturers to introduce new, higher performance models based upon Intel's 486 microchip and note-

book computers using a new version of the 386, but also suggests continuing weakness in sales of "mid-range" personal computers.

The sales pattern may also reflect growing competition. For several years, Intel has held a virtual monopoly in the market for personal computer microprocessors, but recently "clones" of Intel's older 386 microprocessors chips have been introduced by Advanced Micro Devices, another Silicon Valley chip maker.

Intel said that its operating income is expected to decline from the second quarter total of \$180.9m.

Favourable non-recurring items expected to total between \$10m and \$30m will boost third-quarter earnings per share above the \$3 cents per share for the third quarter of 1990, but earnings are still expected to be below the approximately \$1 per share estimates of financial analysts, Intel said.

For 1990, Intel reported net income of \$650.2m, up from \$591m in 1989.

The company's sales for last year were \$3.2bn, up from \$3.13bn in 1989.

## BSN 14.4% ahead at mid-term

By William Dawkins in Paris

BSN, the leading French food group, has reported a 14.4 per cent rise in first-half net profits, reflecting a strong upturn in its dairy products division, and line with most analysts' expectations.

Net profits rose from FF1.5bn in the first six months of last year, to FF1.72bn, (\$299m) not including a FF1.67bn exceptional gain from the sale of Fomary and Lanson, BSN's champagne brands, to LVMH, the drinks and luxury goods group. Group sales rose by 18.2 per cent from FF2.7bn to FF3.15bn, an underlying increase of 4.1 per cent at constant exchange rates and taking out accounting changes.

The underlying net profits rise comes down to around 8.5 per cent, after adjusting for the fact that BSN has consolidated its 50 per cent stake in Galbani, the Italy's leading producer of cheeses and salted meats, estimated Mr John Graham, analyst at UBS Phillips & Drew.

Operating profits rose from FF2.87bn to FF3.64bn, including the FF2.14bn gross exceptional gain from the champagne sale. Within this, the operating profits of BSN's beer division plunged by 22.7 per cent to FF2.65bn, due to the impact on drinking habits of a cooler than average early summer.

Dairy products profits more than doubled to FF1.8bn, partly due to the integration of Galbani, but also thanks to the good performance of other companies in the division, said BSN.

## MAN to raise dividend as year's profits surge

By Andrew Fisher in Frankfurt

MAN, the German engineering company, turned in a sharply higher profit in its financial year to end-June, with results from its truck and printing machinery divisions benefiting especially from German unification.

The demand impetus from the new German states more than offset the effects of the poorer export climate, the Munich-based company said. Net profits would be at least DM400m (\$238m), a rise of 22 per cent on the DM328m earned in 1989-90.

MAN will increase its dividend further from DM11 to DM12. In the previous year, it lifted the payment by DM3 a share after earnings rose by 29 per cent to a level double that of three years previously, when it was still restructuring.

The increased group profits contrast with the expectations expressed last November by Mr

Klaus Götze, the chief executive. Then, he said profits were likely to show only slight growth.

MAN said that trucks and printing equipment, its two main activities, had made a big contribution to the rise in profits. Diesel engines and industrial plant activities had also performed better. Turnover during the year rose by 16 per cent to DM19bn.

The new order inflow was 13 per cent higher at DM20.7bn, with a 41 per cent leap in foreign business to DM9.4bn, contrasting with a 3 per cent fall in domestic orders to DM11.2bn.

MAN said the order backlog of DM18.4bn at end-June - a rise of 13 per cent - provided a solid basis for future profits; the foreign backlog surged by 54 per cent to DM9.4bn, more than half the domestic order volume which fell 1 per cent.

## Bang &amp; Olufsen to omit payout after pre-tax loss

By Hilary Barnes in Copenhagen

BANG & Olufsen Holding, the audio equipment and television manufacturing group, is to omit a dividend for 1990-91 after a DK135m (\$20.7m) pre-tax loss against a DK-68m profit and 10 per cent dividend in the previous year.

Demand was hit by the Gulf war and the general economic recession, especially in the UK, the US and Denmark.

Sales were down from DK2.28bn to DK2.18bn. The loss after tax was DK100m compared with a profit last

year of DK155m.

The board emphasised that following a strategic alliance with Philips last year, when the Dutch electronics group invested DK340m to buy 25 per cent of the operating company, the financial situation remains good.

A management reorganisation and rationalisation programme is expected to produce significant results in 1992-93 but a return to modest profit in the current year was forecast by the board.

## AIN loses ground in battle for control of Fairfax group

By Kevin Brown in Sydney

AUSTRALIAN Independent Newspapers (AIN), a consortium believed to have pressed for a 30 per cent ceiling on foreign voting shares, which would have allowed Mr Black's UK-based Daily Telegraph group to take 20 per cent of Fairfax, with a further 10 per cent going to Helman and Friedman, the US investment bank.

Mr Packer's Consolidated Press Holdings, an Australian media company with television and magazine interests, would have taken 14.9 per cent, the limit under legislation controlling cross-ownership of media assets.

Mr O'Reilly, the Irish chairman of Helman, the US food group, is believed to have sought a 25 per cent interest for Independent Newspapers, his privately-owned Irish newspaper group. Australian Provincial Newspapers is controlled by Mr O'Reilly through family interests.

Both groups said they were considering whether to restructure their bids to bring foreign ownership of voting shares into line with the revised government proposals.

John Reynolds, Mr O'Reilly's accountant who is acting as receiver to Fairfax, said the consortium saw "no legislative problems with our bid". Tour-

ang said it was "an option" for Helman and Friedman to hold Fairfax junk bonds, to take non-voting equity.

However, Tourang could also face problems in complying with separate proposed legislation intended to prevent companies exercising effective control of media groups through "associates". Several Tourang executives have close links to Mr Packer.

The principal effect of the committee's decision could be to increase the price for Fairfax, since it will allow the consortium to raise as much finance as they wish from overseas sources.

AIN officials were angered by reports that Mr Kim Beazley, the communications minister, had told Labor MPs the consortium represented the anti-Labor "Melbourne establishment". However, Mr Beazley said that the decision was intended to block AIN or favour other bidders were "pretty bizarre".

The Cabinet and Labor caucus are expected to debate the recommendation in around three weeks. Mr Des Nicholl, the Deloitte Ross Tomlinson accountant who is acting as receiver to Fairfax, is expected to receive detailed bids in the next few weeks.

## BP's Canadian mining assets up for sale

By Robert Gibbons in Montreal

BRITISH Petroleum wants to sell all its Canadian mining assets, including the troubled Hope Brook gold operation in Newfoundland.

BP Canada sold its downstream oil and gas interests to Petro-Canada early last decade and has become solely an upstream producer with a mineral division.

But the mining assets, with a book value of C\$200m, (US\$175.4m) represents about one-quarter of the business.

BP Canada owns 61 per cent of the Selkirk copper-zinc-gold producer in north-western Quebec, in partnership with Billiton, and a limestone operation in British Columbia. Both these operations are profitable.

Hope Brook produced 110,000 ounces of gold in 1990 but BP Canada took a C\$30m write-down on its investment. The mine has been shut down temporarily because of environmental problems.

The company sold a major British Columbia mining investment last year for a gain of C\$78m.

In the first half this year, the mining division lost C\$17m. Overall, BP Canada lost C\$15.8m on revenue of C\$167m compared with a profit of \$3.6m on revenue of \$158m a year earlier.

## WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week ago	Year to date	High 1991	Low 1991
Gold per troy oz.	\$344.20	-4.4	\$365.25	\$392.25	\$333.55
Silver per troy oz.	228.75p	-4.25	235.25p	260.55	183.35p
Aluminium (per troy oz.)	\$1,224.5	-25.5	\$1,274.5	\$1,324.5	\$1,174.5
Copper Grade A (cash)	\$1,138.5	-25.5	\$1,174.5	\$1,214.5	\$1,094.5
Lead (cash)	\$1,131.25	-1.75	\$1,144.25	\$1,184.25	\$1,094.25
Nickel (cash)	\$1,017.5	-1.75	\$1,027.5	\$1,067.5	\$967.5
Zinc SHG (cash)	\$1,037.5	+14.5	\$1,057.5	\$1,107.5	\$987.5
Tin (cash)	\$3,620.0	+54.5	\$3,675.0	\$3,715.0	\$3,575.0
Cocoa Futures (Dec)	\$2,715.0	-2.0	\$2,715.0	\$2,715.0	\$2,715.0
Coffee Futures (Nov)	\$592.0	-0.5	\$592.0	\$592.0	\$592.0
Sugar (LDP Raw)	\$235.5	-0.5	\$235.5	\$235.5	\$235.5
Straw Futures (Nov)	\$113.0	-0.3	\$113.0	\$113.0	\$113.0
Wheat Futures (Nov)	\$116.0	-0.3	\$116.0	\$116.0	\$116.0
Cotton Outlook A Index	\$9.40c	-1.55	\$11.30c	\$11.30c	\$9.40c
Wool (4 1/2 Super)	\$21.75	-0.25	\$21.75	\$21.75	\$21.75
Oil (Brent Blend)	\$22.225c	+0.05	\$22.225c	\$22.225c	\$22.225c

Per tonne unless otherwise stated. Unquoted, p-pence/kg, c-cents lb, s-silver.

## London Markets

SPOT MARKETS	Latest prices	Change on week ago	Year to date	High 1991	Low 1991
Crude oil (per barrel FOB)	\$17.20-17.30	+0.15	\$17.20-17.30	\$17.20-17.30	\$17.20-17.30
Dubai	\$17.20-17.30	+0.15	\$17.20-17.30	\$17.20-17.30	\$17.20-17.30
Brent Blend (dated)	\$17.20-17.30	+0.15	\$17.20-17.30	\$17.20-17.30	\$17.20-17.30
Brent Blend (Nov)	\$17.20-17.30	+0.15	\$17.20-17.30	\$17.20-17.30	\$17.20-17.30
WTI (1st pm spec)	\$17.20-17.30	+0.15	\$17.20-17.30	\$17.20-17.30	\$17.20-17.30
Oil products					
(NVE prompt delivery per tonne CIF)					
Gas Oil	\$245.247		\$245.247	\$245.247	\$245.247
Gas Oil (Nov)	\$245.247		\$245.247	\$245.247	\$245.247
Heavy Fuel Oil	\$245.247		\$245.247	\$245.247	\$245.247
Naphtha	\$245.247		\$245.247	\$245.247	\$245.247
Petroleum Argon Estimates					
Other					
Gold (per troy oz.)	\$344.20	-4.4	\$365.25	\$392.25	\$333.55
Silver (per troy oz.)	228.75p	-4.25	235.25p	260.55	183.35p
Platinum (per troy oz.)	\$1,224.5	-25.5	\$1,274.5	\$1,324.5	\$1,174.5
Palladium (per troy oz.)	\$1,138.5	-25.5	\$1,174.5	\$1,214.5	\$1,094.5
Copper (US Producer)	\$1,131.25	-1.75	\$1,144.25	\$1,184.25	\$1,094.25
Lead (US Producer)	\$1,017.5	-1.75	\$1,027.5	\$1,067.5	\$967.5
Tin (Kuala Lumpur market)	\$3,620.0	+54.5	\$3,675.0	\$3,715.0	\$3,575.0
The (New York)	\$2,715.0	-2.0	\$2,715.0	\$2,715.0	\$2,715.0
Zinc (US Prime Western)	\$1,037.5	+14.5	\$1,057.5	\$1,107.5	\$987.5
Cattle (live weight)	\$1.41	-3.15	\$1.41	\$1.41	\$1.41
Sheep (live weight)	\$1.08	-4.55	\$1.08	\$1.08	\$1.08
Pigs (live weight)	\$1.08	-4.55	\$1.08	\$1.08	\$1.08
London daily sugar (raw)	\$235.5	-0.5	\$235.5	\$235.5	\$235.5
London daily sugar (white)	\$235.5	-0.5	\$235.5	\$235.5	\$235.5
Tell and Lyle export price	\$235.5	-0.5	\$235.5	\$235.5	\$235.5
Barley (English feed)	\$113.0	-0.3	\$113.0	\$113.0	\$113.0
Maize (US No 3 yellow)	\$116.0	-0.3	\$116.0	\$116.0	\$116.0
Wheat (US Dark Northern)	\$9.40c	-1.55	\$11.30c	\$11.30c	\$9.40c
Rubber (Oct/91)	\$2.50		\$2.50	\$2.50	\$2.50
Rubber (Nov/91)	\$2.50		\$2.50	\$2.50	\$2.50
Rubber (Dec/91)	\$2.50		\$2.50	\$2.50	\$2.50
Cocoa oil (Philippines)	\$497.0	-2.5	\$497.0	\$497.0	\$497.0
Palm Oil (Malaysia)	\$330.0	-2.5	\$330.0	\$330.0	\$330.0
Copra (Philippines)	\$330.0	-2.5	\$330.0	\$330.0	\$330.0
Soyabean (US)	\$116.0	-0.3	\$116.0	\$116.0	\$116.0
Cotton "A" index	\$9.40c	-1.55	\$11.30c	\$11.30c	\$9.40c
Wool (4 1/2 Super)	\$21.75	-0.25	\$21.75	\$21.75	\$21.75

s-t tonnes unless otherwise stated, p-pence/kg, c-cents lb, s-silver.

## COCOA - London POX

Close	Previous	High/Low	Volume
Sep 708	717	710-712	
Oct 745	747	740-740	
Nov 777	782	775-775	
Dec 785	791	784-784	
Jan 811	813	805-815	
Feb 835	840	830-840	
Mar 855	860	850-860	
Apr 885	890	880-890	
May 915	920	910-920	
Jun 945	950	940-950	
Jul 975	980	970-980	
Aug 1005	1010	1000-1010	
Sep 1035	1040	1030-1040	
Oct 1065	1070	1060-1070	
Nov 1095	1100	1090-1100	
Dec 1125	1130	1120-1130	
Jan 1155	1160	1150-1160	
Feb 1185	1190	1180-1190	
Mar 1215	1220	1210-1220	
Apr 1245	1250	1240-1250	
May 1275	1280	1270-1280	
Jun 1305	1310	1300-1310	
Jul 1335	1340	1330-1340	
Aug 1365	1370	1360-1370	
Sep 1395	1400	1390-1400	
Oct 1425	1430	1420-1430	
Nov 1455	1460	1450-1460	
Dec 1485	1490	1480-1490	
Jan 1515	1520	1510-1520	
Feb 1545	1550	1540-1550	
Mar 1575	1580	1570-1580	
Apr 1605	1610	1600-1610	
May 1635	1640	1630-1640	
Jun 1665	1670	1660-1670	
Jul 1695	1700	1690-1700	
Aug 1725	1730	1720-1730	
Sep 1755	1760	1750-1760	



## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Little reaction to Fed easing

THE FEDERAL Reserve eased its monetary stance again yesterday, as US interest rates fell in line with expectations and retail sales showed the steepest fall for seven months.

August consumer prices rose at an unchanged rate of 0.5 per cent, bringing the year-on-year inflation rate down to 3.8 from 4.4 per cent. Retail sales in August fell at a surprisingly steep rate of 0.7 per cent, reflecting weak demand for cars and a wide variety of goods. The decline was much sharper than forecast and followed a rise of 0.5 per cent in July.

This resulted in a cut in official US interest rates. It was also followed by a rally of the day's lows by the dollar, which is perhaps not as perverse as it seems.

The US currency finished weaker on the day in Europe, but it bounced back above the DM1.6800 level against the DM1.6775. This recovery reflected speculation that the

stuttering improvement in US economic performance will now gather momentum and also indicated expectations that it is likely to be the last easing of monetary policy in the present cycle.

The Fed cut its discount rate by 1/4 point to 5 per cent. This was followed by a reduction to 8 from 8 1/2 per cent in some banks prime lending rates. In addition \$3bn of temporary repurchase agreements, the Fed also appeared to cut its target federal funds rate to 5 1/2 per cent. Fed funds were trading at 5 1/2 per cent at the time of the operation.

At the London close the dollar had eased to DM1.6840 from DM1.6855; to DM1.6780 from DM1.6795; and to DM1.6750 from DM1.6765. Its index fell to 64.8 from 65.0.

Sterling was weaker overall as a sharp decline in the UK

annual rate of inflation encouraged speculation about another cut in UK bank base rates. Year-on-year inflation in August fell to 4.7 from 5.5 per cent. There was some disappointment that the figure was not as low as 4.5 per cent, but the market expects a further decline in the inflation rate and is looking for lower interest rates.

The differential between UK and German rates has already narrowed sharply this year, making the pound less attractive at a time when the political risk in holding the currency appears to be increasing. Sterling fell 15 points to DM2.9175 from DM2.9225; to DM2.9150 from DM2.9200; and to DM2.9100 from DM2.9150.

In the European exchange rates mechanism the pound had a weak time, but remained above the Danish krone and French franc.

## FINANCIAL FUTURES AND OPTIONS

Strike	Call	Put	Settle	Settle
90	2.30	1.17	0.27	0.43
91	2.31	1.17	0.27	0.43
92	2.31	1.17	0.27	0.43
93	2.31	1.17	0.27	0.43
94	2.31	1.17	0.27	0.43
95	2.31	1.17	0.27	0.43
96	2.31	1.17	0.27	0.43
97	2.31	1.17	0.27	0.43
98	2.31	1.17	0.27	0.43
99	2.31	1.17	0.27	0.43
100	2.31	1.17	0.27	0.43

Estimated volume total, Call 10197 Put 4474  
Previous day's open, Call 10194 Put 10007

Strike	Call	Put	Settle	Settle
90	2.30	1.17	0.27	0.43
91	2.31	1.17	0.27	0.43
92	2.31	1.17	0.27	0.43
93	2.31	1.17	0.27	0.43
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5.29	Five year	7.09
5.40	Seven year	7.45
5.50	10-year	7.64
6.17	30-year	7.93

Two Months	Three Months	Six Months	Long-Term Intervention
00-9.15	9.05-9.20	9.20-9.35	9.25
9.3-9.4	9.4-9.5	9.5-9.6	9.25
	7.7-8.0		-
	9.22-9.27		-
	6.1-6.4		-
	11.4-12		-











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## WORLD STOCK MARKETS

## US MARKETS (3:00 pm)

September 13

Dollars

+ or -

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## LONDON SHARE SERVICE

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## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Dray & Ross Cl.	648		
Finlay Plc. 50	20		
Holt Ltd 25p.	1772		

### IRISH

Cap. 5% Lx 2010	994	+½	
9% Cum Lx 1996	1000		
Fin. 13% 97/02	6314		
Armetts	189		

Helton Mids.	45		
United Drip.	180		







# Weekend FT

SECTION II

Weekend September 14/September 15 1991

Most climbers attack the Himalayas with scores of porters and tons of high-tech equipment. Roger Mears took on the ninth highest peak in the world with a friend and a rucksack

## The lure of the death zone

THERE WAS a silence and a stillness, and then came the slow rumblings from the great Himalayan ice cliffs.

All around the triggers had been pulled. Avalanches of ice, rock and snow began racing each other to the glacier. The ice smashed itself into minutes' glittering particles that billowed like clouds. The British Geological Survey in Edinburgh recorded the earthquake of July 14 at 6.6 on the Richter Scale. "Quite a big one," said Mr Turbutt in the seismology department.

The next day we set off to climb the mountain the Germans call Nanga Parbat, carrying with us little more than a rucksack.

In the "Golden Age" of Himalayan mountaineering, when the British were besieging Everest, the French Annapurna and the Italians K2, Germany was engaged in a costly battle with the "Naked Mountain", the translation of its Sanskrit name. Between 1922 and 1939 19 people died in five attempts on Nanga Parbat. The first successful ascent was made in 1953 by a lone Austrian, Hermann Buhl. Since then, Nanga Parbat had remained one of the 14 peaks of more than 8,000 metres (26,245 ft) that had not been climbed by Britons.

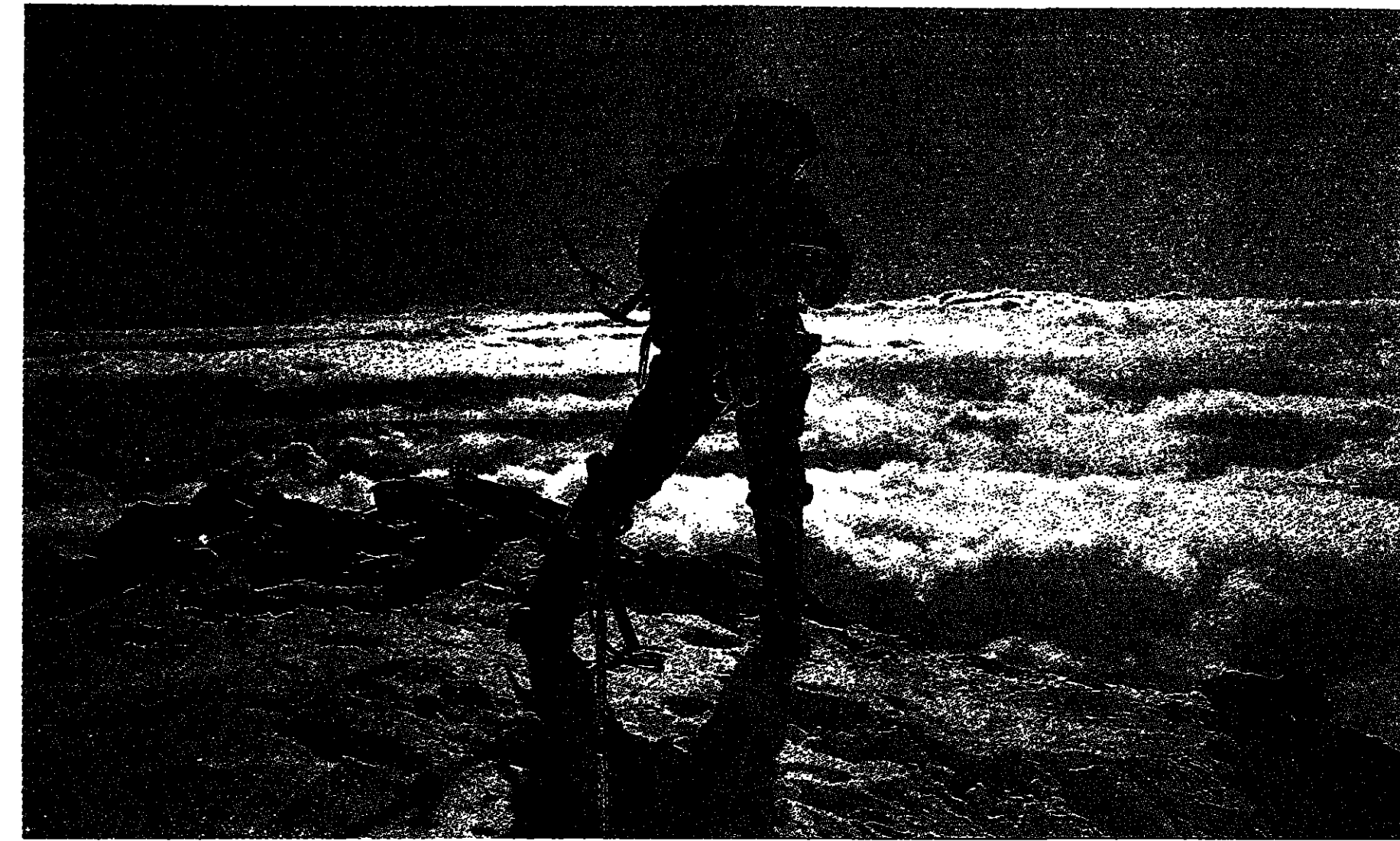
We had camped at its foot for three weeks, watching the 8,125 metre (26,680 ft) mountain, observing its rhythms, the patterns of its weather, the winds that stripped the snow from its summit. It was only now, as our departure for the mountain drew near, that we began to comprehend its enormity, rearing more than 13,000 ft above our tents pitched in pastures on the banks of the Diamir Glacier.

The size of the face that Dave Walsh, a 47-year-old mountain guide from Betws-y-coed, and I intended to climb in one quick dash was awe-inspiring. We had come to Kohistan, this "land of the ungovernable" in north Pakistan, to climb Nanga Parbat, not with a great logistic machine but with the limited capabilities of our two selves.

Traditionally, large teams of climbers have laid siege to the world's great mountains. They would, over several months, build up a pyramid of supplies and stretch thousands of feet of rope between a succession of fixed camps to set up a final dash to the summit. But we were to climb "Alpine style" - simply packing a rucksack with food and equipment and setting off with a friend for the summit. Except, if the proud spire of the Alpine Matterhorn were placed beside the great wall of Nanga Parbat, it would reach merely a quarter of the way up.

When we arrived at base camp on June 27, two Korean expeditions were hard at work, vying for the title of "First Korean". For five weeks a score of climbers had been carrying mountains of rope, rice and seaweed up the first couloir to a camp at 17,000 ft. Their progress had reached an impasse and there were rumours of strife in the team.

Our involvement with the mountain was to be more intimate, shared between Dave and myself. As we sat at the bottom of one of the world's biggest precipices, waiting for the slow process of acclimatisation to take its course, it was



difficult to remain confident.

We set off a little after first light on July 18. We had six days' food rations, the clothes we stood up in plus a down-filled jacket and equipment pared to a minimum: three pitons for rock and four for ice, two ropes, a small tent, sleeping bags and a camping stove with three gas cylinders. Our rucksacks still weighed more than 60lb.

We passed the Korean high point on the morning of our second day. Their camp, nestled under the protection of a rock, was strewn with their litter and all around, protruding from the snow, was the debris of previous expeditions. No one in the end has the energy to remove the camps that cost so much to install and so they remain to be torn and scattered by the wind, a vulgar record of mountaineering ambition.

Our days began in the dark and by first light we had eaten a meagre breakfast of oatmeal biscuit and milkless tea sweetened with Kendal mint cake, had packed our tent and

were away. We intended to finish before the sun's intense heat brought a consuming lethargy and turned the hard snow to slush.

At first our progress was slow and the way more difficult. The sun always seemed to arrive before our daily objective and we would reach the chosen spot boiled and exhausted. Then we would spend an hour, sometimes two, using our last remnant of energy hacking at the ice to build a platform for our tent.

I had never been on a mountain where a place to sleep was so hard to win. Often the tent would be perched in the most spectacular positions, anchored with the rope to our two ice screws, its outer edge cantilevered out over thousands of feet of space. We would alternate the honour of the outer berth.

In the early evening we would watch the cumulus boll around us and then disperse as the heat faded and the valleys slid into darkness. At the end of the day I would talk on the ICOM radio to my wife Gha-

zala, invisible at base camp beside the bright red tent that we could just discern. She would tell us of the small-slow progress of two dots as small as punctuation on a vast white page.

On day three we climbed through a snow storm, enveloped in cloud, pitch after pitch of ice as steep as the roof of a church. Crampon points skidded and axes flayed as the lactic acid burned into calf muscles under the weight of our packs.

On day four, climbing simultaneously but still joined by our thin rope, we made a long sickle-shaped traverse which brought us to easier ground. We were on the broad back of the Bazhin glacier that hangs around the neck of the trapezoid fortress that forms the summit.

Some 20,000 ft below the River Indus flowed in its deep gorge. Down there the temperature was above 100°F (37.8°C). Here the sun

was without power, the snow surface shaped by the wind into waves.

By the evening of our fifth day we had reached the base of the summit trapezoid at an altitude of 23,600 ft. Sleep was difficult, appetite had gone and we needed will power to drink enough to prevent dehydration and to eat enough to provide energy for the morrow.

In the morning we would make our one-shot attempt to climb the last 3,000 ft to the summit - almost double the height we had managed on our best day lower down the mountain. In the last 1,000 ft we would be entering what is melodramatically, but accurately, called the "death zone". At these rarefied altitudes man can survive at best for a few days. Judgment is often impaired and hallucinations common, lung or brain haemorrhages are a real threat.

At 2 am, as we began melting snow on our Gaz stove, a few stars showed through the cloud. It was after 4 am when we creaked into

action, and by then it was snowing and we were enveloped in cloud. We discussed the wisdom of making the attempt, but we were at the end of our food, and even if we did delay the weather might even worsen.

Carrying no more than one might on a winter walk in Snowdonia - a half full flask of water, a bar of chocolate, some glucose tablets, a bivouac bag, a down jacket and a camera - we climbed through knee-deep snow with the weather worsening and a heavy weight of pessimism adding to the gloom.

I made a pact with Dave that we would continue until 9 am but I felt that he thought conditions were too bad to go on. The hour came and went without improvement. By 10 am I was resigned to failure and waiting for him to end the stupidity, but he was game as long as I was. In spite of the conditions we were making reasonable progress - if climbing upwards into a storm at 28,000 ft could be described as reasonable. I am not now so sure.

We resolved to continue for as long as we felt strong and in control. Then, at noon, the smoke swept aside and we emerged above the clouds into a world of hard sunlight and deep blue sky, golden rock and glittering snows. A cold wind blew spindrift from the summit ridge 1,300 ft above us.

We agreed to keep going until 5 pm when, summit or not, we had to return if we were to avoid a bivouac. Both of us were confident we could survive a night in the open, but not without the inevitable frostbite; whether we would be able to get down the mountain in a maimed condition was another matter.

We continued the slow upward progress, with ice axe and ski-stick, taking turns to break a zigzag trail through snow with a hard surface crust. Sometimes it supported a cramponed boot but more often we plunged through to our knees. The impossibility of maintaining a rhythm was debilitating.

We reached the summit at 4.15 pm on Sunday July 21 after six days. We were the first Britons to climb Nanga Parbat, 96 years after the first attempt by a British expedition and 38 years since Buhl's lonely success.

To our left was the North Ridge up which Buhl crawled, snaking down into the cloud in a succession of rocky summits. Under our feet the Rupal Face, the greatest mountain wall in the world, plunged into fathomless shadow. It would have been good to linger, to soak up that beautiful, enchanted place in the golden light of evening and watch the sun sink into the sea of boiling cloud that flowed, in an interminable current, out of Asia and washed upon this mountain island, the westernmost bastion of the Himalayas.

We had to descend. Down the snowy couloir, out of the brilliant crystal world and into cloud. There in the whiteness it had continued to snow. Our tracks were gone. But we had to find our tent before dark.

In a little more than two hours in the grey half light that precedes darkness, the altimeter led us unerringly to the place. I collapsed, unable to summon another flicker of energy. Dave made tea.

The Koreans had just arrived at the platform that had been our third camp, when we descended from the cloud. "Leader say congratulation, and please to use our ropes to go down", we were told. We continued our descent and, exhausted, hacked a platform a few feet below the Korean Camp Two. It was our most comfortable night.

In the morning I took the Koreans the remains of our food: pumpernickel neither of us could bear to eat, some chocolate bars and drinks. They were simmering a vast bowl of rice and vegetables. "Later", they said, "we speak leader, he say we go down or rest here". We left them to eat what looked like more food than we had eaten in a week and continued our descent back to life.

The British Nanga Parbat Expedition was sponsored by ICOM, Harrier and Camping Gaz UK. The climb was in support of the Royal Marsden Cancer Appeal.

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The Long View/Barry Riley

## A four-letter mystery

Being a still further extract from the reminiscences of John H. Watson, M.D.

IT WAS scarcely after breakfast on a misty morning in September '91 when our landlady, Mrs Hudson, ushered a small, blonde woman into the quarters which at that time I shared with my friend Mr Sherlock Holmes in Baker Street. The visitor provided us with an excellent excuse to turn off the breakfast TV programme, which as usual was dominated by economists talking about the end of the recession.

"Pray forgive my intrusion so early, Mr Holmes," she said, introducing herself as Mrs St Clair. "But I am overcome with anxiety for the safety of my husband Neville. I do not know where else to turn."

"You have my profound sympathy, madame," observed Holmes. "He disappeared three days ago, on Monday, I presume." He shrugged at her obvious surprise. "A simple deduction from the fact that you carry three days' copies of the Daily Telegraph, no doubt to check for news of his fate. Pray continue."

"You are right," she said, swiftly recovering her composure. "It was on Monday that a most curious experience befell me. Whilst on a shopping expedition I was forced to leave the Underground at Bank station due to the London Fire Brigade being in attendance at Liverpool Street. I found myself waiting down Strand Lane when I chanced to look up at a second-floor window and saw, to my amazement, my husband. I believe he observed me too, for he made a sudden gesture, but then disappeared, as though seized violently from behind."

"Mr Holmes, I ran into the building, but was obstructed for some considerable time by a guard who complained that I did not possess the required magnetic security pass. By the time I had ascended to the second-floor office there was no sign of my husband, only of a secretary, a Miss Huxtable, and of one of those terrible economic pundits - the one called Roger Congdon-Davies, with the oily hair, the moustache and the loudly-striped double-breasted suit. Neville did not return home, and I have not seen him from that day to this!"

"And one other thing," she added. "Upon the table in the room was this piece of paper, with four capital letters scribbled on it in what is undoubtedly my husband's handwriting. Whatever can it mean?"

Holmes seized it eagerly. "V.U.W. or L?" he read out loud. "A bizarre code indeed. But never fear, madame. We shall soon have your husband safe, if indeed he is still alive." Losing no time he hailed a passing cab in Baker Street and soon arrived at the office of Congdon-Davies. But Ms Huxtable insisted that the economic soothsayer was out, making a TV programme. She had never heard of a Neville St Clair.

Holmes looked around. There were personal computers, faxes, video recorders, slide projectors... and a cupboard. Before Miss Huxtable could protest he wrenched the door open, to reveal a suit of clothes on a hanger, and a briefcase labelled N St Clair. "Ha!" snapped Holmes. "I fear that it is now time to call in the police."

Chief Inspector Lestrade moved quickly. By the time we had returned to Baker Street the evening newspaper placards read: "Famous economist arrested at TV studios."

As Sherlock Holmes piled up an ounce of shag and lit the first of many pipes I expressed some of my fears. "The building overlooks the Thames at the back," I pointed out. "If St Clair was murdered, his body could have been tossed into the river."

"I expect the police are dredging even now," replied Holmes. "But there is a more subtle solution to be found. To be sure, an economic forecaster may be capable of great evil. For somebody so unscrupulous at manipulating statistical data, murder must seem of little consequence. But what was the connection with Neville St Clair?"

The afternoon dragged into a foggy evening, but Sherlock Holmes remained on the settee wrapped in thought. I fell asleep. Early next morning, however, I was disturbed by Holmes's hand upon my shoulder.

"Awake, Watson?" he cried. "Game for a morning drive?" It was before six that we arrived at Wood Street Police Station, where Holmes summoned the

duty police inspector. "That economist Roger Congdon-Davies, you have him here?" he asked.

"Why, yes. And a real dirty scoundrel he is, he refuses to take off his suit or wash his face. I never did take to any of those charlatan forecasters."

"Then bring me a sponge and escort me to his cell," cried Sherlock Holmes. Scarcely had the startled economist awoken from his uneasy sleep than he was seized by Holmes, who removed what turned out to be a wig and, rubbing quickly with the wet sponge, stripped away the moustache and ruddy complexion too.

There was revealed an older, paler man who blinked in surprise, then turned white and buried his face as he realised the true horror of his predicament. "Gentlemen," announced Sherlock Holmes in triumph, "allow me to introduce Mr Neville St Clair."

Pausing only for a moment, St Clair spoke in a quiet, resigned tone. "It all happened by accident," he said. "I made a forecast for a bet. But then, people began offering me extraordinary amounts of money and asking me to appear on breakfast TV. It did not seem to matter that the predictions were totally wrong. Why, they now want me to forecast the economic recovery even though I never predicted the recession in the first place!"

"My wife only knew that I was something in the City, she thought I was a respectable man dealing in junk bonds. I had been leading a double life for some years until last Monday when by an unreasonable chance she saw me and I realised the game was up."

He sobbed: "It is not just my wife, it is my children! How will I ever be able to explain to them how I sank so low?"

As we returned to our waiting cab, Holmes murmured: "The significance of the capital letters escaped me for too long. Then I realised that they were all possible shapes of an economic recession and recovery. St Clair had written them, and that led me to the logical conclusion that St Clair and Congdon-Davies were one and the same person!"

"Poor devil!" I observed. "I fear that his personal depression will now prove deep. But I must not make a forecast!"

## WHAT DO GRAHAM GOOCH AND WHITTINGDALE HAVE IN COMMON?



THEY BOTH SEEK THE BEST PERFORMANCE

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## FINANCE AND THE FAMILY

## London Markets

## This is the way the money halves

THE MOMENT when British Aerospace's shares peaked, in July 1989, coincided with the announcement of its decision to buy Arlington Securities, one of the most successful property developers of the 1980s.

Since then, it has been downwards almost all the way in both absolute and - as the chart shows - relative terms. £1,000 invested in British Aerospace shares on the day it bought Arlington would today be worth only £568, after allowing for inflation, their value has dropped by 51 per cent.

British Aerospace's problems, which led it to a singularly badly received £432m rights issue on Wednesday, are not confined to property. Rover, the cars subsidiary, is back in the red; the defence business acquired with Royal Ordnance is undergoing a long-term squeeze; the company has decided to begin to pre-emptions to building civil aircraft by itself. But it had been hoping to use profits from property to offset the costs of restructuring its other operations; and the lack of them was glaringly exposed by its £250m exceptional provision.

There is a wider moral. Since the war, making money in Britain has depended to a remarkable extent on property speculation. Many of the great private fortunes created since

1945 have had a property element, even in businesses like retailing and hotels, which at first glance seem to make their money in some other way.

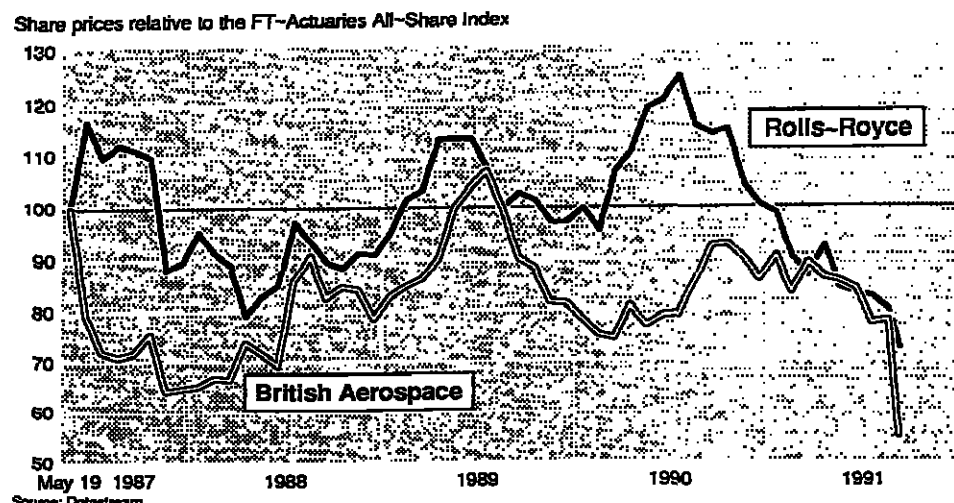
The importance of property stems, of course, from Britain's consistently high inflation rate, and - for individuals - from a tax system which for much of the post-war period treated property profits less harshly than income earned in other ways.

If Britain's entry into the exchange rate mechanism of the European Monetary System has permanently lowered the UK inflation rate; and if the tax reforms of the 1980s prove lasting - two fairly big ifs - then property is no longer a uniquely privileged route to wealth.

British Aerospace has discovered that. However, the disillusionment with its shares reflects more than property speculation. Since late August, when the market first began to take suggestions of an imminent rights issue seriously, the share price has headed directly south.

It was trading at 578p on August 27, by the day before its rights issue announcement, the share price had fallen to 508p. The rights issue is priced at 380p, a 26 per cent discount on the previous day's price and a 34 per cent discount on its price as at August 27.

Since the rights issue was announced, the share price has



continued to fall, worsened by the open unhappiness of institutional shareholders. It closed on Friday afternoon at 416p, a 139p drop on the week. On that figure, the rights issue discount has shrunk to 9 per cent. By comparison, the other big aerospace result of the week, from Rolls-Royce, was treated much more kindly. Although its results were no dire - a drop of 90 per cent in interim profits compared with British Aerospace's 41 per cent - Rolls saw its share price close at 144p, a 1p rise on the week. Of course, Rolls was not making a rights issue. There is more to it than that, however.

Rolls's strategy, though inevitably a risky one, is straightforward: you know what you're betting on. British Aerospace, with its four wildly different core businesses, its heavy dependence on a single Saudi contract, and the fading lustre of its chairman, Professor Roland Smith, remains much more of an enigma. And no one likes to feel they are betting blind.

These two poor sets of figures - and the justified expectation of a British Aerospace rights issue - helped keep the market overall moving downwards for much of the week. The FT-SE index closed at 2625.8, a drop of 41.6 points from the previous Friday. Other earnings in the capital goods sector also came in below analysts' forecasts, a marked reversal from the wave of not quite so bad as expected results earlier in the summer. One company able to report good news was Glaxo, which not only turned in results ahead of expectations - a 9 per cent rise in pre-tax profits for the year to June - but also promised "a new cycle of growth" from recently launched drugs such as Zofran, used in cancer treatment. Servent, for asthma sufferers, and Imigran, an anti-migraine preparation. Sir Paul Girolami, Glaxo's chairman, promised that the company would become the biggest research and development spender in the world drug industry. The share price closed at 1364p, down 1 per cent or 17p.

These results were accompanied by the market's steadily increasing conviction that the UK economic recovery was on track. One tiny textile company actually had the temerity to say "For us the recession is over," but few other company chairmen were ready to go that far.

By Friday, despite slightly disappointing inflation figures, the money markets were clearly signalling an expectation of another half-point cut in base rates some time soon - an expectation rendered the more plausible by a cut in US interest rates.

The real determinant of UK interest rates remains those in Germany, however, and there the message is not so good. It is clear the German authorities are determined to clamp down on wage increases likely to be running at a 7 per cent annual rate by early next year, and to do that they are prepared to hold interest rates at or above their current levels for the foreseeable future.

That is likely to put a floor under British interest rates; and as UK inflation falls into the 3-4 per cent range over the next year, real interest rates will rise steadily. Interest rate pressures next year will put a brake on the speed of the UK recovery, and on the size of the rebound in corporate profits. They will also make the returns from property investment look unpromising - which is where we came in.

Peter Martin

## Serious Money

## Wall Street today, Skid Row tomorrow?

By Philip Coggan, Personal Finance Editor

BWARE the bright lights of New York. Over the past few weeks, share prices on Wall Street have flirted with record highs and easily shook off the brief scare caused by the failed Russian coup.

At the moment, US unit trusts are dominating the performance tables, with 24 of the top 25 performing funds being American-based. The average US unit trust has risen by 33.5 per cent (offer-to-bid, with income reinvested) over the 12 months to September 1.

However, unit trust investors, and the people who advise them, have a disturbing tendency to leap on to the bandwagons of rising stock markets. It would be extremely foolish to extrapolate those figures over the next 12 months. And it may well be time for those who have enjoyed the market's giddy rise to take some profits.

Watching league tables is a dangerous sport. Not so long ago, Japanese smaller companies dominated the tables; but MIM, Britannia's Japanese smaller companies trust, for example, has been one of the worst performing funds over the past year, falling by 17 per cent.

When deciding to move in to any market, investors should ignore the historical gains and concentrate instead on the basic ratios that investment analysts use. Take for example dividend yields, which have an inverse relationship to share prices: when yields are low, share prices are relatively high and vice versa.

The average yield on the Dow Jones Industrial Average since the start of 1979 has been 4.6 per cent. Currently the Dow is yielding around 3 per cent. The only time that the yield has been lower was in the bull market of 1987 - when it fell to 2.5 per cent.

The price-earnings ratio, which relates share prices to corporate profits, tells a similar story. Since the start of 1979, the p/e on the Standard & Poor's composite index has

averaged 11.1. Currently the ratio is around 16.7, a level that again it only dipped during the 1987 bull market.

The US has spent much of this year in economic recession, and analysts are still debating whether or not a recovery has started. In the middle of recession, one would expect yields to be lower and p/e ratios higher than average, since investors will be concentrating on the prospects for profit and dividend growth when the economy picks up.

But the recovery will have to be quite strong to justify current price levels. If dividends grew at 23 per cent a year for the next two years, and the Dow stayed unchanged at its Thursday closing level of 3,007,

to see how shares can sustain current ratings.

There are, of course, counter-arguments. Interest rates in the US are now - at 5 per cent - so low that cash deposits are unattractive. US institutional investors' enthusiasm for pushing funds into the equity market is perfectly understandable in the circumstances. Even with a yield of only 3 per cent, they would require a 4 per cent share price of just 4 per cent over the next year to earn a better return than is available from deposits.

In addition, US inflation is relatively low. So far this year, on an annualised basis, the seasonal rate of inflation is just 2.7 per cent. At that level, investors can enjoy a real return on equities without the need for capital growth.

However, despite these factors, the Dow-Jones index has seemed to find a natural ceiling at around 3,050. Investors might eventually lose their enthusiasm and perhaps look to overseas markets, where yields and price-earnings ratios look more attractive.

What that means for UK investors is hard to judge. If the US market falls substantially, the London market tends to follow it down. Afternoon trading in the London market is often dominated by the mood on Wall Street.

Nevertheless, the investment ratios make the UK market look nowhere near as overvalued as the US market, with the dividend yield on the FT-All-Share Index, for example, at 4.65 per cent. That is below the long term 5 per cent average but not greatly so.

If international investors do decide to switch funds out of Wall Street, then London could be the beneficiary. But that might not be enough to save share prices from being affected by the decline in confidence a fall in Wall Street would cause.

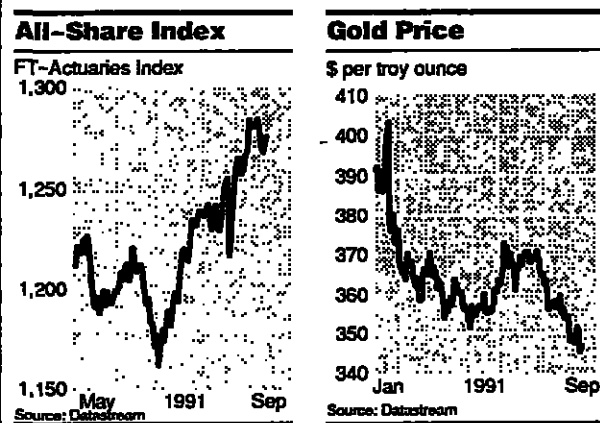
Whether or not the London market has further to fall, the cautious UK investor should steer well clear of the siren charms of Wall Street.

It may well be time for those who have enjoyed the market's giddy rise to take some profits.

## HIGHLIGHTS OF THE WEEK

	Price y/day	Change on week	1991 High	1991 Low	
FT-SE 100 Index	2625.8	-41.6	2678.6	2054.8	Rights issue uncertainties
BICC	432	-23	475	325	US Phillips & Drew "sell"
Beazer	83	-15.2	195	59	Lower-than-expected dividend
British Aerospace	416	-139	664	416	Poor results & rights issue
British Telecom	384.2	-14	402.2	268	Fears of November sale delay
Cadbury Schweppes	416	+20	422	314	Takeover speculation
Costain	113	-18	223	107	Profits fall 71% div under threat
Haggas (John)	80	+22	80	33	Strong results
MB-Caradon	250	-23	280	150	Large placing
Macro 4	363	+42	363	223	Profits & dividend increase
Royal Insurance	370	-29	491	357	Analyst's downgrade/rights fears
Sovereign Oil	143	+40	180	98	150p a share bid from Neste Oy
Sun Alliance	358	-21	408	308	Analyst's downgrade/rights fears
TT Group	190	+12	190	90	Improved results
Trafalgar House	232	-18	261	189	Forecast cut

## AT A GLANCE



## Market rise beats its own rule

The old stock market rule "Sell in May and go away, come back on St Leger Day" has not been borne out this year. The FT-All-Share has risen almost 5 per cent since May 1. Nevertheless, believers in this adage can take heart from the fact that investors did far better in the period September 15 1990 to April 30 1991 than they did in either the May-St Leger periods of 1990 or 1991.

## Bearish time for bullion

When Gorbachev was temporarily ousted in last month's coup in the Soviet Union, for a brief moment it was hoped that gold might regain its status as a safe haven in troubled times. However, the rise in the gold price, like the oil price, was short lived and this week the bullion price slumped to a five year low. Ironically, the cause was fears that the newly autonomous Soviet republic might dump their gold reserves on the world market.

## More mortgage rate cuts announced

More banks and building societies announced mortgage rate cuts this week. Barclays Bank says rates will be dropped to 11.55 per cent for new mortgage applicants from Monday and existing borrowers from October 1. National Westminster bank brought down its rate to 11.55 per cent for new borrowers on September 9. Northern Rock building society is offering 9.95 per cent on new loans to borrowers who take out the society's buildings and contents insurance; the rate will be held until January 1992. Otherwise, the rate is 11.2 per cent, which will be effective from Monday. Chesire Building Society has cut its rate by 0.45 per cent to 11.5 per cent for new borrowers. The Town and Country, Scarborough and West Bromwich societies have also cut their rates to 11.5 per cent. Bradford and Bingley building society, which dropped its rate to 11.5 per cent, this week announced a 0.5 per cent discount on all new home loans. The discount will be held to March 1992.

## Smaller companies rally

Smaller companies shares continued their recent rally with the County Nat West Smaller Companies Index up 1.4 per cent in the week to September 12, at 1001.65, and the Hoare Govett Index (capital gains version) up 1.2 per cent to 1252.97 over the same period.

## Savings scheme launched by TR

Touche Remnant has added a monthly income plan to its investment trust savings scheme. By investing in three trusts, City of London, High Income and Far East Income, which pay quarterly dividends, investors can get a monthly income. On September 13, the trusts yielded 5.2 per cent, 7.8 per cent and 5.9 per cent respectively.

## A feeless credit card

National and Provincial building society said this week that it would not be introducing a fee for its Visa credit card either this year or next year. The promise comes within a fortnight of announcements by National Westminster Bank and Royal Bank of Scotland that they would be introducing an annual fee. N&P has around 250,000 customers for its Visa card. The monthly interest rate is 1.99 per cent (APR 25.2 per cent). Elastic cost of plastic: Page IV

## Wall Street

## The Fed's damaged present is cast aside

LIKE a spoilt child who grows bored with a new toy minutes after ripping off the wrapping paper, the stock market greeted yesterday's interest rate cut with a marked lack of enthusiasm.

The Federal Reserve gave the market what it had wanted for weeks - a cut in the discount rate from 5.5 per cent to 5 per cent - but a wave of selling sent the Dow Jones index tumbling from 3,000 on its way to a 20-point fall by late morning.

Why did the market react so negatively to what, on paper at least, was good news? For one, the rate cut was expected, and its impact on share prices had been all but fully discounted.

Yet the "buy on the rumour, sell on the fact" theory does not account for everything. At the heart of yesterday's, and the week's, poor market showing is the simple fact that with the interest rate cut out of the way, there are few good reasons left why investors should buy stocks.

The Fed said it cut the discount rate "in light of weakness in the money and credit aggregates, the improving

inflation environment and concerns about the ongoing strength of the economic expansion." That statement, plus the new economic figures that provoked the Fed into lowering interest rates, helps explain why investors are in a bullish mood.

The one bright spot this week was the news on inflation. Data for August show producer and consumer prices rising at a very modest pace. However, the cost of low inflation has been a squeeze on consumer expenditure.

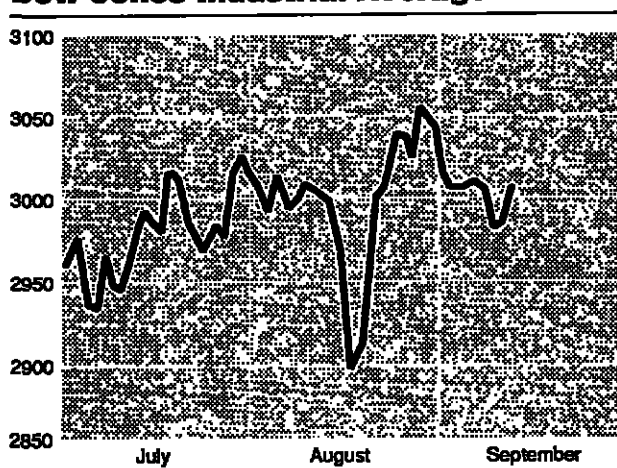
Existing levels of high indebtedness, rising local and federal taxes, and fear of unemployment have restrained consumer spending. The latest retail sales figures showed by how much: during August sales fell by 0.7 per cent, while the decline spread widely throughout the retail sector. It was the largest monthly fall since January - when the economy was still in a slump - and is hardly evidence of an economy pulling confidently away from a recession.

The slowdown in money growth remains a problem - it has worried the Fed enough to push the discount rate down

to its lowest level for almost 20 years. Last week M2, the broadest and most widely watched measure of the money supply, fell by \$9.7bn, almost four times the market's forecast.

The most bearish market commentators warn that with insufficient money in the system to sustain economic expansion and consumers containing their desire to spend,

## Dow Jones Industrial Average



the economy, corporate profits, and therefore the stock market, are in for a rough ride.

Although this view goes against the grain of consensus opinion - which forecasts a reasonable rate of recovery in 1992 - the chances of a substantial correction in the market remain real. Institutional coffers are hardly overflowing with cash, shares look overvalued

in historical terms, and what good news can be expected over the next half-year has already been priced into equities. The inability of the Dow to hold its ground above 3,000 suggests the bulls may have run out of steam.

Moreover, the approaching third quarter reporting season holds little of promise. This week several large corporations issued profits warnings alongside cost-cutting and restructuring programmes.

Colgate-Palmolive, the household products group which has already undergone extensive restructuring in recent years, said on Thursday that it will close or reconfigure 25 of its 91 factories around the world and cut its labour force by another 2,000, or 3 per cent. The changes will cost Colgate a \$245m after-tax charge, which will push earnings into the red for the third quarter.

At least Colgate is instituting change against the background of improved profit margins and potential for expansion overseas. Tenneco, the Texas-based industrial and energy group, is not so lucky. The group's new management unveiled a restructuring plan

that will include assets sales of more than \$1bn and a plant and product rationalisation programme. Tenneco is the victim of depressed market conditions at its agricultural and construction business, where losses are mounting.

The slump in US property values - a key feature of the recession - continues to plague anyone who invested heavily in real estate during the 1980s. First Interstate Bancorp, one of the largest west coast US banks, warned this week of a \$200m third quarter loss because of a sharp deterioration in its Californian property loan portfolio and a restructuring plan aimed at cutting expenses by \$250m a year.

Wall Street knows all too well about the desperate state of the east coast property market, but the problems at First Interstate have highlighted how difficult the situation is on the other side of the country.

Monday 3007.16 - 4.47  
Tuesday 2985.56 - 24.60  
Wednesday 2987.03 - 4.47  
Thursday 3007.53 - 20.80

Patrick Harverson

## The Bottom Line

## Cadbury's figures keep the market sweet

CADBURY Schweppes seems to be flavour of the month in the stock market after announcing a 6.5 per cent rise in pre-tax profit to £111.5m for the first half of the year.

Its share price went up 5 per cent to 416p between Wednesday's announcement and last night's close, while the FT-SE 100 stayed flat.

Its recession-resistance was predictable, but with so many companies reporting poor results, it was a relief to see progress confirmed, especially in the face of adverse currency movements.

Some reasons for Cadbury's resilience are obvious. It has proved easier for consumers to stop buying houses and electronic goods than to take candy from their babies.

Nearly 40 per cent of Cadbury's trading profit lies in the UK where it has 31 per cent of the chocolate market, 23 per cent of soft drinks and reckons to be number one in sugar confectionery through the Trebor Basset sweets company. Cadbury showed its internal

strength by pushing up trading profit margin from 9.2 to 9.5 per cent on sales that were flat at £1.42bn. It sold about 200,000 tonnes of confectionery and nearly 30m litres of soft drinks.

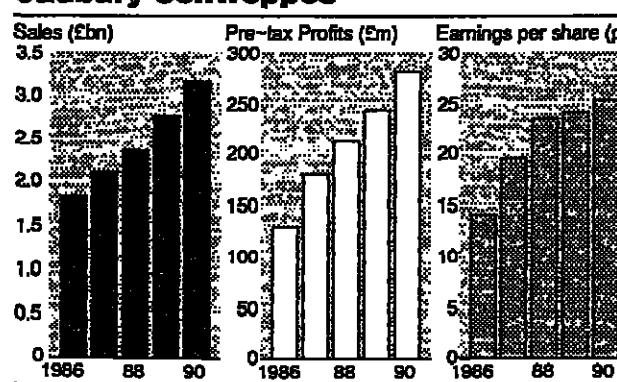
Investment in low-cost production was part of the equation. In the UK beverage operation, for example, profits were pushed ahead on lower sales.

Outside the UK, the Schwepes, Canada Dry, Crush and Sunkist brands made gains in the huge Coca-Cola and Pepsi soft drinks market in the US, where the average person drinks about 175 litres of pop a year, about two and half times the UK average.

According to Sir Graham Day, Cadbury's chairman, the north Americans are "the most sophisticated" imbibers of carbonated drink, taking to such delicacies as Schwepes raspberry ginger ale.

Yet in spite of steady 2 per cent annual growth in the US market, Cadbury has moved the headquarters of its beverage operation from Stamford, Connecticut, to head office at Marble Arch in London.

## Cadbury Schweppes



Dominic Cadbury, chief executive and a member of the fourth family generation to run the 167-year-old company, said: "The beverage market is more important to us in Europe."

David Lang, food analyst with Henderson Crosthwaite, welcomed the fact that the group was not going to get drawn into a "nuclear war with Coke and Pepsi". He too stressed the opportunities for growth in the European soft

drinks market. Flowing from the relatively low consumption of fizzy drinks and from the opening up of eastern Europe.

Yet the overseas picture is not all sweetness and light. It is perhaps one of the caveats about the group that its geographic spread, built up at considerable acquisition cost, did not offset the tough domestic conditions in the way that might have been hoped.

This was partly because other countries also had their recessions. This must have played a part, for example, in the 7 per cent fall in the Australian confectionery market.

But continental Europe saw a 25.5m fall in trading profit before the assistance of 83.2m from purchases - mainly the French-based Oasis and Gini operations in a £125m deal.

Another slightly unpalatable area is the group's net debt, which rose from \$466m in June 1990 to \$516m, giving gearing of 65 per cent.

David Jinks, finance director, said acquisitions caused the 550m increase. Yet spending under this heading has modified compared with 1989 when \$700m of purchases were made over the full year.

Part of Cadbury's effort is to try to lift trading margins to 15 per cent. Meanwhile, if it can deliver 10 per cent growth in earnings per share to 30p next year, it will help make the group too large for most predators. A price tag of 25bn (including debt) has been mentioned - about 620p a share.

15 per cent up on the 1988 figure of 23.5p.

While the earnings motor for the share price has lacked a little petrol, bid speculation has also been at work. The price peaked at 461p in July 1989 when takeover talk was in the air. In the sector and Cadbury's case was being rattled by General Cinema, of the US. It sold out last October, but the company's relief has been soured by rumours about the intentions of another US group, Philip Morris.

Mr Cadbury dismissed this as "the need to churn stock". He did say that talk of hostile takeovers was part of a genuine debate about how performance might be improved.

Part of Cadbury's effort is to try to lift trading margins to 15 per cent. Meanwhile, if it can deliver 10 per cent growth in earnings per share to 30p next year, it will help make the group too large for most predators. A price tag of 25bn (including debt) has been mentioned - about 620p a share.

Jane Fuller



## FINANCE AND THE FAMILY

## Saving at lower interest rates

Philip Coggan asks if this is the right time for investors to choose fixed returns

THE MEDIA may rejoice every time that interest rates are reduced, but base rate cuts are not such good news for savers.

A saver relying purely on variable rate interest will have seen his nominal income reduced by almost a third over the past year, as base rates have fallen from 15 to 10.5 per cent.

However, the effect has not been as marked in real terms. Interest rates have averaged around 12½ per cent over the last year, compared with an inflation rate of 4.7 per cent. That means investors with substantial savings have been able to earn a gross real return of almost 8 per cent. Even after tax, those in the basic rate band have earned a net return of over 4.5 per cent, and high rate taxpayers 2.5 per cent.

Those are extremely high figures by historical standards. But what should investors do now? Should they opt for fixed rate products, such as guaranteed income bonds, on the grounds that rates have fallen to 10 per cent or have they left it too late?

Economic analysts expect interest rates to fall in the run-up to the next election. Kevin Gardiner, of Warburg Securities, feels that a further half percentage point cut - to 10 per cent - is already discounted by the market, and will occur at or slightly before the Conservative party conference, which starts on October 11.

Further cuts are expected before the election, which the economists think will be delayed until next summer. By that time, Kevin Gardiner, of Phillips & Drew, sees a ¾ per cent fall in the base rate, with Simon Briscoe of Greenwell Montagu forecasting 9 per cent.

After the election, the analysts think that rates may rise, even if the Conservatives win power once more. "Once the economy starts to grow again, the foreign exchange markets will begin to realise that the fall in wage inflation

was largely due to the recession", says Kevin Gardiner, of Warburg Securities. "There may need to be a second leg to the exchange rate mechanism's squeeze on the UK economy."

Kevin Darlington of Phillips & Drew cites the likely widening of Britain's current account deficit, once the economy expands, as a reason for rates to rise again. But neither expects rates to go all the way back to 15 per cent - a modest rise to 10 or 10½ per cent is more likely.

The election of a Labour government, or a hung Parliament, is another matter. If that happened, the analysts expect that the foreign exchange markets would react unfavourably, forcing a more substantial rise in rates. Briscoe thinks that a Labour government might cause rates to be 2 to 3 per cent higher, for a year or two, than they would otherwise have been.

These views indicate that interest rates will move in a more narrow trading range - perhaps between 9 and 12 per cent - than they have done over the past five years. That does not give savers a clear view on whether they should switch their funds into fixed rate vehicles immediately. Rates could easily be back at current levels in 18 months.

Of course, economists can be mistaken: there is a tendency for rates to rise further in the upswing of the cycle, and fall further on the downswing, than the market expects.

The wise saver should realise that a sensible spread of savings would have some tied to a fixed rate, and some in a variable rate form. Even though interest rates might rise after the election, the consensus seems to be that Britain's membership of the exchange rate mechanism means that interest rates and inflation will be lower in the 1990s than they were in the 1980s. That may indicate that it is not too late for savers to opt for fixed rate products.



## The keys to locking-in

How can those savers who believe that interest rates are set to fall even further, lock in at current levels?

Peter Hatton of Knight Williams, investment advisers, recommends that savers who choose the fixed rate option for

part of their portfolio should tie up their money only for one year or two at the most. He suggests guaranteed income bonds, which require an investment for a fixed period but which pay yearly income. As our table shows, General Post

folio has a one year income bond which pays 8.6 per cent net on £20,000; the return on £50,000 is 9.1 per cent net.

Savers can also look to the fixed interest deposit accounts offered by most banks and building societies, though the rates on these are not as high as they are with guaranteed income bonds. For example, Halifax's Monthly Income Extra has a fixed one year rate on a minimum of £2,000 of 9.53 per cent gross, which works out at 7.15 per cent net.

Wimbledon and South West Finance has a one year fixed rate deposit account of 12 per cent gross for £1,000, which is under review. The TSB has a 2 year fixed account on deposits of £2,000 with a return of 9.25 per cent gross.

There are also a number of fixed-rate Tax Exempt Special Savings Accounts (Tessas). Confederation Bank is offering a fixed rate of 11 per cent but this requires a deposit of £8,055, from which the bank transfers annually the maximum permitted to the Tessa. The bank guarantees that after five years the investor will receive £13,136. The fixed rate will drop to 10.75 per cent for entrants from 1 October who will have to deposit £20 more than the current requirement.

Bristol and West has a similar feeder account Tessa with a fixed rate of 11.25 per cent, which is under review. Gilts are another fixed rate option but it is essential to hold them to maturity to guarantee your return. Income tax will have to be paid on interest income but there is no capital gains tax. Gilts maturing in 1991 have a gross redemption yield of around 9.5 per cent.

Investors might consider index-linked gilts, which pay a low rate of interest but whose capital value rises in line with inflation. Another inflation-proof investment is index-linked National Savings certi-

ificates which pay a tax-free 4.5 per cent above the rate of inflation if held for five years.

National Savings also has two fixed rate products. Which you choose depends on your tax band. The Capital Bond Series C, which pays out 11.5 per cent gross, is more attractive to basic rate and non-taxpayers. The 36th issue, which pays 8.5 per cent tax-free, offers a better deal to those in the higher rate band.

Over the long term the best returns are likely to be from equity-based investments. Richard Boyton, of Boyton Financial Services, cites the differential growth of various investments over the last ten years (all figures show income reinvested).

The Halifax 90 day building society account showed 149.1 per cent growth; the FTSE 100 index, 365.6 per cent and an average of all gilts and fixed interest trusts, 183.1 per cent. For those seeking an equity-based investment, Boyton recommends James Capel Income Fund, a unit trust, which concentrates on UK equities. For the same period, its growth has been 69.7 per cent.

Those seeking income and growth could consider a self-select Personal Equity Plan, says James Higgins, of advisers Chamberlain de Broe. The investor can buy high-yielding income shares of an investment trust within the PEP, which will allow income to be drawn gross.

Separately, the investor can hold zero coupon shares, which will eventually be repaid at a premium to their price, outside the PEP and use up his capital gains allowance. Higgins estimates that this combination should provide a tax free income of about 10 per cent.

Scheherazade Daneshkhu.

THE BEST RATES FOR YOUR MONEY						
Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid	
<b>INVESTMENT A/Cs and BONDS (Gross)</b>						
Southdown BS	SuperSaver	0273 471671	Instant	£11.00%	Y/y	
Nottingham BS	Capital Postal AC	0802 481444	Instant	£5.00 12.00%	Y/y	
	offer closes 18.9		Instant	£50.00 12.25%	Y/y	
National Counties BS	90 Day A/C	0372 742211	90 Day	£20.00 12.15%	Y/y	
Chelms BS	Option 90	0242 321 301	90 Day	£5.00 12.25%	Y/y	
Newcastle BS	Novus Star	091 232 6078	15 Mths	£5.00 12.50%	Y/y	
Lambeth BS	2 Yr Term Share	071 828 1331	2 Year	£500 12.20%	Y/y	
Nationwide BS	Postal Bond	0793 694 465	2 Year	£25.00 12.50%	Y/y	
<b>TESSas (Tax Free)</b>						
National Counties BS		0372 742211	5 Year	£3.00 13.75%	Y/y	
Darlington BS		0925 487171	5 Year	£1 13.50%	Y/y	
Lambeth BS		071 828 1331	5 Year	£20 13.40%	Y/y	
Chesham		0992 28261	5 Year	£1 13.50%	Y/y	
<b>HIGH INTEREST CHEQUE A/Cs (Gross)</b>						
Calderonian Bank	HICA	031 556 8235	Instant	£1 10.00%	Y/y	
UDT	Capital Plus	0734 550 411	Instant	£1.00 9.90%	Q/y	
Chelms BS	Classic P/Acc	0242 521391	Instant	£10.00 11.20%	Y/y	
				£25.00 11.70%	Y/y	
Northern Rock BS	Current A/C	091 285 7191	Instant	£25.00 11.16%	M/y	
<b>OFFSHORE ACCOUNTS (Gross)</b>						
Yorkshire BS Guernsey	Key Access	0481 719898	Instant	£25.00 11.40%	Y/y	
C & G Channel Islands Ltd	Guernsey Gold	0481 715422	Instant	100.00 12.00%	Y/y	
Bradford & Bingley Douglas	Maximiser Ind	0624 982883	90 Day	£5.00 11.00%	Y/y	
Yorkshire BS Guernsey	Key Extra	0481 719898	180 Day	£25.00 12.50%	Y/y	
Bristol & West Int Ltd	Int Bond II	0481 720609	30.11.92	£25.00 12.50%	Y/y	
				£50.00 12.25%	OM	
<b>GUARANTEED INCOME BONDS (Net)</b>						
General Portfolio FN		0279 462898	1 Year	£20.00 8.60%	Y/y	
Financial Assurance FN		081 367 8000	2 Year	£5.00 9.00%	Y/y	
Financial Assurance FN		081 367 8000	3 Year	£5.00 9.20%	Y/y	
Providence Capital FN		0256 788888	4 Year	£25.00 9.35%	Y/y	
Consolidated Life FN		081 940 8343	5 Year	£2.00 9.50%	Y/y	
<b>NAT SAVINGS A/Cs &amp; BONDS (Gross)</b>						
Investment A/C			1 Month	£5 10.25%	Y/y	
Income Bonds			3 Month	£2.00 11.00%	M/y	
Capital Bonds C			5 Year	£100 11.50%	OM	
<b>NAT SAVINGS CERTIFICATES (Tax Free)</b>						
30th Issue			5 Year	£25 8.50% F	OM	
5th Index Linked			5 Year	£25 4.50% + infln	OM	
Childrens Bond F			5 Year	£25 11.84%	OM	

All rates (except Guaranteed Income Bonds) are shown Gross. OM = Interest paid on maturity. N = Net Rate. B = Bond. \* Gross Equivalent Rate. For more details see variable. OM = Interest paid on maturity. N = Net Rate. B = Bond. Source: Moneyfacts. The Monthly Guide to Investments and Mortgage Rates, Watnash House, Stratham, Norwich.

## SIB chief attacks endowment hard sell

ENDOWMENT mortgages were singled out for criticism by Sir David Walker, Chairman of the Securities and Investments Board, the chief regulatory body for the financial services industry, this week.

Sir David, who was presenting a discussion paper as part of SIB's review of the retailing of investment products, said it was "troublesome" that so many endowments were being sold because of the industry's remuneration structure - the fact that commission insurance companies pay to advisers and agents who are selling their policies.

Endowment mortgages make up three-quarters of the mortgage market, according to figures issued by the Council of Mortgage Lenders for the last quarter of 1990.

Unlike the repayment mortgage, where capital and interest are paid back together, on an endowment mortgage, only interest on the loan is repaid. In addition, premiums are paid to an insurance company which invests them in order to

build up a lump sum, which will pay back the capital at the end of the mortgage term.

Demand for endowment mortgages has fallen in recent years. Repayment mortgages now account for 21 per cent of the market, according to the CML, and 4 per cent of mortgages are of other types, such as pension or PEP-linked. Endowment mortgages used to account for 50 per cent.

Sir David was speaking in the context of a controversial proposal by SIB that the requirement that intermediaries give "best advice" to clients should be changed to giving "good advice". The Consumers' Association, among others, has attacked the move, saying it would lower the standard of advice.

SIB says its proposal is intended to define more clearly the "suitability" requirement under which "best advice" falls. It says "best" advice is not always the most suitable and the current rules risked obscuring the importance of giving "suitable" advice.

SIB points to the evidence of

a survey which it conducted of a tied agency - a company which sells the products of one particular life insurance group. The agency went through a fact-finding exercise with each client. SIB found that between 35 and 50 per cent of the clients received "inappropriate" advice. One reason for this, said Sir David, is that some intermediaries interpret "best advice" to mean selling the products of the best company, at the expense of recommending the most suitable product.

Under the new proposals, "suitability" would mean that the adviser would not be able to recommend a policy that people would be better off without. Sir David said this was particularly true of endowment mortgages - "most advice of an unsuitable kind has been made in this area."

He said that endowment mortgages had their place, but that in many cases consumers were being sold these when they might be better off with repayment mortgages and mortgage protection policies. "An endowment is good if you

can afford it. Building societies know that we think endowments are oversold."

Fears that endowments may not be the best type of mortgage for some people is based on estimates that 80 per cent of endowment policies are cashed in early. Consumers seem unaware that early surrender makes endowments a poor investment - by cashing in a £30 a month policy after 20 years investors receive 25 per cent of what they would get at the end of its 25-year term.

If endowments are not suitable for many people, why do three out of four homebuyers opt for them? The hard-sell policy adopted by most banks and building societies plays a part. The advantages of the endowment - such as the tax-free lump sum at the end of the full term - are stressed; the disadvantages are not.

Many homebuyers are also unaware that they are paying for the commission to the person who sold them the policy. The commission on a 25-year mortgage endowment is usually 30 per cent of the first year's pre-

Scheherazade Daneshkhu.

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Scheherazade Daneshkhu.



## FINANCE AND THE FAMILY

## The elastic cost of 'plastic' debt

Blurred rules and credit card fees can make interest rate calculations meaningless, writes Barbara Ellis

CREDIT CARD holders attempting comparisons among banks by checking annual percentage rates may not realise how meaningless this exercise has become since the introduction of annual fees.

This is because the banks use different methods of calculation, and sometimes make strange assumptions about the behaviour of cardholders.

For example, a Lloyds Bank credit card just sent out to Access card holders includes a table of annual percentage rates ranging down from 32.5 per cent on a credit limit of £200 to 25.6 per cent on £5,000. At a glance, it might seem that Lloyds is offering larger borrowers cheaper credit, but not so: the interest rate is a uniform 1.9 per cent per month.

The apparently lower rate is the result of spreading the annual £12 card fee over the larger amount. Leaving out the fee altogether would give an interest-only rate of 35.3 per cent.

When quoting an APR in advertising or promotion, Lloyds uses 26.8 per cent - the rate on £1,000, which the bank says is a typical credit limit, unrelated either to average actual spending or to outstanding balances. Lloyds would not say

how much of a typical credit limit is typically used.

In calculating card APRs, Lloyds assumes that the borrowing begins on the first day of the year and accrues interest until the last day when it is repaid in full. The bank claims that this method if anything overstates its rate, as its commercial experience shows that most cardholders clear debt within four to six months.

But Barclays says that Lloyds, Midland and National Westminster are understating their APRs, mainly because the £1,000 basis and one-year pay-back is unrealistic.

Barclays quoted on £750, the credit limit routinely granted to new cardholders, but admits that its average outstanding balance is only £300. Its pay-back period runs to 8 1/2 years, with 5 per cent of the balance or £5 cleared each month and fees charged annually.

So, although Barclayscard's monthly interest is 1.85 per cent and its annual fee is £8, it quotes an APR of 27.8 per cent against Lloyds' 26.8 per cent on £1,000 and monthly and £12 fee. Barclays claims that its rate would drop from 27.8 per cent to 25.9 per cent on the same basis, say, 30 per cent to 29.9 per cent.



Easy to use, hard to add up

legal, since the Consumer Credit Regulations offer a choice of three methods of calculating card APRs.

Lenders are also allowed a further psychologically useful advantage in being able to quote a rate of up to 0.1 per cent below the "true" APR, as calculated under the rules. This could permit a strategic switch from, say, 30 per cent to 29.9 per cent.

The banks are clearly edging credit cards into the same high-cost confusion zone as overdrafts. For borrowers, overdrafts from different sources are almost impossible to compare because of the variety of largely discretionary charges applied. The interest cost of overdraft borrowing is notoriously difficult to establish in advance, being linked to amounts actually out-

standing and variable interest rates.

Not that card issuers have begun charging interest on outstanding daily balances - unless the debt is paid off in full on the monthly due date - cardholders unable to clear their amounts regularly will have to time purchases for late in the month and pay off as much as possible without waiting for the statement to arrive.

However, the banks may not be co-operative. "We do not encourage people to make payments during the month," said Barclaycard.

Meanwhile, the Access card from Lloyds introduces a change to conditions that reads: "Payments will take effect when credited and may be applied to transactions and charges in such order as the bank may determine."

In overdraft-style, Lloyds' Access card indicates that the bank is the first to introduce an annual fee on cards appears to be contemplating a further array of open-ended charges.

However, Lloyds gives three different versions of its intentions, two of which appear in the leaflet.

"Currently, we do not charge

for additional services, such as a request for a duplicate statement," says one part of the leaflet, adding: "Condition 15 is new and would enable us to introduce such charges, but only after a published tariff has been sent to you."

But the densely printed wording of condition 15 gives a rather different impression, saying: "The Bank may debit to the account such additional charges as may be payable in accordance with its tariff applicable from time to time (details of which are available on request...) in respect of any additional information and/or services provided at the request of the cardholder which the bank is not obliged to provide under this agreement or in respect of any breach of these terms by the cardholder, together with any costs and expenses which the bank may incur in enforcing or endeavouring to enforce its rights against the cardholder."

"There is no tariff and there is nothing in the pipeline," said a Lloyds Bank representative responding to a request for details. "We felt it was a prudent move to add the condition now in the Access card to introduce something at some stage in the future."

## The Week Ahead

GERALD RATNER will certainly regret his recent throwaway comment on the quality of one product sold by his jewellery group when interim results are announced next week. His less-than-flattering joke about a sherry decanter turned some people away from Ratners, although some probably went next door to his separate "upmarket" stores.

The group as a whole is expected to announce on Monday a plunge to a £15m loss, compared with a £3.3m profit last time. Heavy losses in the UK are likely to be the main reason behind the decline.

Kingfisher is expected to show on Tuesday a drop from £65.4m to about £60m, mainly because of a sharp fall in profits from property development. However, deepening losses at Siderley and Comet will also contribute. All in all, a reasonable performance in recessionary times, according to analysts.

Tesco, the same day, will perhaps have the best news in the food and retailing sector with profits forecast to rise 33 per cent to £230m for the first half. However, the rights issue in January means earnings per share are expected to increase just 15 per cent to 8.1p.

On Tuesday Fisons, the

pharmaceutical and horticultural products group, is expected to report interim pre-tax profits of £105m, up 16 per cent from last year, giving earnings per share of 11.7p, up 12 per cent on the previous interim. The market is expectantly waiting for news of US approval for its Tilade, anti-asthma drug.

Guinness, the international drinks group, is likely to report on Thursday interim taxable profits of £350m compared with last year's £322m. The expected 8 per cent increase, while not as sparkling as the 33 per cent rise during the comparable period, was achieved against difficult trading conditions, which included the Gulf War.

It is no secret that trading has been tough for Hawker Siddeley, making for slim chances that there will be any lift in interim profits, to be announced on Thursday. The City is looking for pre-tax profits of around £50m, although some analysts' forecasts are lower. The £50m is substantially below the £94m realised at the last interim, stripping out heavy contracting losses suffered then. Those at the upper end of the scale are counting on benefits from reorganisations and redundancies coming through.

## PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (000s)	Earnings per share (p)	Dividends per share (p)
Adams Group	May	705 (1,120)	3.6 (4.4)	2.0 (4.0)
Alphabetic	Mar	2,910 L (11,800)	2.9 L (20.0 L)	-
Aradigm	Apr	3,880 L (578 L)	32.2 L (9.9 L)	-
Bentley	Jul	60,600 (105,700)	1.2 (1.5)	9.25 (7.15)
BZW Convertible Inv.	Jul	4,450 (2,200)	0.8 (4.7)	7.7 (3.8)
Canora	Apr	2,530 (3,800)	16.2 (17.9)	4.0 (4.0)
Cross Brothers	Jul	12,800 (12,100)	21.1 (19.5)	8.8 (8.0)
Glen	Jun	128,000 (179,000)	60.2 (84.0)	28.0 (22.0)
Goodland Group	May	705 (1,120)	3.6 (4.4)	2.0 (4.0)
Haggas (J)	Jun	1,820 (733)	3.0 (2.0)	5.6 (1.83)
Haynes Publishing	May	25 (3,100)	0.1 (18.6)	2.5 (10.0)
Micro	Jun	7,850 (7,350)	23.0 (20.6)	11.0 (8.9)
Midland	Apr	806 L (2,310 L)	2.7 L (8.43)	-
Northern Industrial	Jun	447 (22,200)	22.0 (21.9)	-
Opportunity	May	989 (1,550)	4.67 (8.36)	2.7 (4.38)
Palmerston	Mar	2,680 L (3,650)	12.5 (12.8)	1.75 (3.75)
Select Appointments	Apr	2,380 L (2,41 L)	12.0 (11.9)	1.2 (1.2)
Sider	Jun	4,610 (5,310)	5.26 (5.31)	1.25 (1.25)
Watergate Ind.Hlps.	Mar	4,570 L (9,010)	25.1 L (19.5)	1.0 (4.7)

## INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (000s)	Earnings per share (p)	Dividends per share (p)
AB Ports	Jun	31,700 (30,500)	3.1 (2.78)	-
Abbeycroft	Jun	32 (133,000)	1.2 (1.2)	-
Abbeycroft	Aug	32 (133,000)	1.2 (1.2)	-
Arjo Wiggins Apple	Jun	136,000 (142,000)	3.3 (3.3)	-
Aster (BSR)	Jun	2,700 L (5,100)	-	(0.7)
Baird (William)	Jun	9,180 (12,900)	3.55 (3.55)	-
Beattie (James)	Jun	2,370 (3,020)	1.4 (1.4)	-
Beattie	Jun	64,400 (105,700)	4.0 (7.7)	-
Blackley Motors	Jun	46 (3,800)	0.1 (1.1)	-
Blackley Motors	Jun	5,820 (5,000)	3.5 (3.25)	-
Bromley	Jun	4,470 (5,000)	4.5 (4.5)	-
British Fillings	Jun	1,710 (1,710)	1.375 (1.375)	-
British Vile	Jun	24,172 (27,200)	3.4 (3.4)	-
Bund	Jun	20,600 (30,400)	1.8 (2.8)	-
Bulle Mining	Jun	7,070 L (943 L)	-	(-)
Cadbury Schweppes	Jun	111,500 (104,700)	3.2 (3.0)	-
Calder	Jun	3,110 (1,810)	1.28 (1.2)	-
Canadair	Jun	2,170 (2,070)	2.75 (2.75)	-
Canning (W)	Jun	3,080 (4,770)	2.94 (2.94)	-
Carson S&L	Jun	3,551 (6,826)	3.3 (3.3)	-
Caparo Industries	Jun	5,200 (9,800)	1.0 (1.0)	-
Cavendish	Jun	247 (298 L)	-	(-)
Caledonia Ind.	Jun	70 L (1,400)	-	(-)
Coppyone	Jun	608 (518)	1.0 (0.80)	-
Costain Group	Jun	20,100 (5,700)	4.75 (4.75)	-
Custax Property	Jun	584 L (1,800)	-	(-)
Custax Property	Jun	848 L (824 L)	-	(-)
Dalla	Jun	32,100 (46,100)	4.1 (4.5)	-
EIS Group	Jun	1,080 (8,800)	3.175 (3.025)	-
Emess	Jun	1,300 (6,000)	0.85 (1.0)	-
Enterprise Oil	Jun	60,300 (82,000)	6.5 (6.0)	-
Erin	Jun	395 (1,400)	1.3 (1.3)	-
Estates & General	Jun	1,450 (1,450)	1.5 (1.5)	-
Evans Halshaw	Jun	1,870 (2,800)	3.8 (5.8)	-
Fairway Group	Jun	7,070 (7,190)	3.0 (2.75)	-
Ferran Holdings	Jun	1,020 (1,080)	1.1 (1.0)	-
G&G Kynoch	Jun	480 (387 L)	-	(-)
Gaskell	Jun	55 (1,000)	3.0 (3.0)	-
Gibbs & Dandy	Jun	311 L (163)	1.0 (2.25)	-
Gourlay	Jun	2,231 (2,080)	3.3 (3.0)	-
Grafton Southern Group	Jun	1,840 (9,800)	3.0 (3.0)	-
Hallam Steelworks Hldg.	Jun	307,000 (255,000)	3.1 (2.5)	-
Hallam Steelworks	Jun	1,180 (5,550)	3.3 (3.3)	-
Harris & Crossfield	Jun	36,400 (57,500)	3.6 (3.6)	-
Hartness	Jun	2,080 L (247)	-	(0.1)
Hartness & Daw	Jun	1,810 (1,750)	3.25 (3.0)	-
Horse Counties News	Jun	836 (2,200)	1.2 (1.2)	-
Hopkinson Foods	Jun	3,020 (3,310)	1.2 (1.2)	-
IG Group	Jun	20,300 (17,600)	2.85 (2.3)	-
IG Group	Jun	820 (742)	-	(-)
Irish Kenneth Kojang	Jun	13,100 (1,940)	18.15 (19.15)	-
Invergor	Jun	13,100 (1,940)	18.15 (19.15)	-
ISA International	Jun	1,030 (1,750)	0.414 (0.414)	-
J Hewitt (Fenton)	Jun	219 (418)	-	(-)
Laird (John)	Jun	6,300 (7,800)	3.0 (3.0)	-
Laird Group	Jun	14,380 (1,300)	4.0 (4.0)	-
Lambert Howard	Jun	1,400 (1,300)	1.5 (1.5)	-
Legal & General	Jun	84,800 L (41,500)	6.2 (5.8)	-
Livestock	Jun	126 (187)	2.0 (2.0)	-
London Park	Jun	2,440 (4,220)	2.5 (2.5)	-
MTI Instruments Grp.	Jun	2,480 (3,040)	2.0 (2.0)	-
Manders	Jun	2,480 (3,040)	2.0 (2.0)	-
Mathews (B)	Jun	6,314 (6,225)	2.0 (2.0)	-
Mathews Trust	Jun	8,300 (7,820)	5.0 (4.5)	-
Michael Page Group	Jun	2,030 (2,070)	0.6 (0.6)	-
Micro Focus	Jun	6,950 (7,600)	3.0 (3.0)	-
Mollins	Jun	6,800 (7,000)	3.0 (3.0)	-
Morrison (John)	Jun	7,000 (18,000)	5.65 (5.54)	-
Martin & Peacock	Jun	6,970 (8,550)	3.7 (3.7)	-
Mr Swift	Jun	10,700 (17,000)	10.0 (8.0)	-
Ocean Group	Jun	23,300 (22,600)	4.71 (4.67)	-
PGI Group	Jun	680 (653)	2.6 (2.4)	-
R-S International	Jun	1,630 (2,780)	2.0 (2.0)	-
Parasol	Jun	1,630 (2,780)	2.0 (2.0)	-
Perkins Food	Jun	10,500 (7,120)	1.7 (1.5)	-
Perry Group	Jun	1,100 (2,210)	2.75 (2.75)	-
Pittard Garner	Jun	1,040 (1,870 L)	-	(-)
Porter	Jun	4,910 L (5,210)	1.0 (3.0)	-
Prudential Corp.	Jun	170,000 (120,587)	5.0 (5.0)	-
Rathbone Brothers	Jun	1,630 (1,280)	2.5 (2.0)	-
Robinson Bros.	Jun	758 (410)	-	(-)
Rolla-Royce	Jun	11,000 (115,000)	2.55 (2.55)	-
RPS	Jun	300 (307)	1.4 (1.4)	-
RTZ Corp.	Jun	286,000 (476,000)	8.0 (8.0)	-
Savoy Hotels	Jun	674 L (5,340)	-	(-)
Scott-Herbert Tel.	Jun	3,150 L (3,880 L)	-	(-)
Servotek	Jun	1,080 (874)	7.8 (8.0)	-
Servotek	Jun	822 (1,040)	1.8 (1.8)	-
Severfield Reave	Jun	500 (1,310)	1.0 (1.0)	-
Sherrwood Computing	Jun	575 (850)	1.0 (1.0)	-
Singer & Friedlander	Jun	8,110 (8,720)	1.0 (1.0)	-
Starline	Jun	785 (85 L)	0.1 (1.0)	-
Swallowfield	Jun	9,200 (17,000)	3.2 (3.2)	-
Swallowfield	Jun	90 (1,000)	2.2 (2.2)	-
TLS Range	Jun	267 L (4,640)	2.2 (2.0)	-
TT Group	Jun	6,770 (4,640)	2.2 (2.0)	-
Templeton Galbraith	Jun	38,800 (56,300)	7.0 (5.0)	-
Unipart	Jun	6,700 (5,800)	-	(-)
United Blazette	Jun	68,000 (83,000)	5.5 (5.5)	-
Waterford	Jun	7,710 (3,330)	1.5 (1.0)	-
Wilson (Connolly)	Jun	13,600 (18,300)	1.27 (1.27)	-

(Figures in parentheses are for the corresponding period.)  
Dividends are shown net pence per share, except where otherwise indicated. L = loss.  
£ = Malaysian dollars, £ = American dollars & cents, £ = 10 month figures.

## RIGHTS ISSUES

Starline is to raise £20m via a 34 rights issue at 14 1/2p each.  
Hickson International is to raise £20m via a 25 rights issue at 180p each.

## Ideal scheme or dead loss?

William Pitt on the debate over stop-loss insurance for Lloyd's Names

DAVID HAGEN, a former Lloyd's member, has strong views on personal stop-loss insurance. He resigned from Lloyd's in 1985 but still found himself writing a cheque for £17,000 this July to cover claims he incurred while he was a member.

He is not alone in his views; stop-loss is a controversial subject at Lloyd's. For members of the troubled insurance market, it would be hard to imagine a more alluring product label.

However, some argue that the product itself does not always live up to its name.

Personal stop-loss has been available to Lloyd's Names - the individuals who stake their personal wealth on underwriting at Lloyd's - since the early 1970s. In 1973 it became a tax deductible expense.

Stop-loss is technically a misnomer. The cover cannot stop Names' insurance losses at Lloyd's in entirety. Lloyd's Names accept unlimited liability for losses on insurance business underwritten on their behalf. Stop-loss does not change that. It merely removes a layer of risk.

The cover is sold by specialist Lloyd's brokers firms and underwritten by Lloyd's syndicates and insurance companies. The council of Lloyd's last year imposed tough rules limiting the amount of stop-loss business Lloyd's syndi-

cates could write: they feared the stop-loss market was becoming too "ineffective".

Cover varies, but typically a Name underwriting £500,000 premium a year at Lloyd's might buy stop-loss cover of £100,000. The Name would pay the first £50,000 losses, but the next £100,000 would be paid by the stop-loss reinsurers. Only in the unlikely event of losses in any one year exceeding £150,000 would liability revert to the Name.

Alternatively, Names might use stop-loss as a form of catastrophe protection to cover themselves against losses which would seriously eat into their wealth. The excess point in this case would be much higher, say £100,000, and the premium much lower.

Michael Wade, chairman of Holman Wade, a Lloyd's broker which carries the bulk of its income selling stop-loss, is a stop-loss evangelist.

The case Wade makes for stop-loss is still persuasive. "On becoming a member of Lloyd's you will wish the syndicates you support to have reinsurance protection. So what is more natural than that you should buy reinsurance protection for your own personal liabilities as well?"

He acknowledges that the personal stop-loss market can be a minefield for the unwary. Names, who are usually not insurance professionals, are



plunged into the complexities of the international reinsurance market.

For this reason Wade and other stop-loss brokers lay great stress on the advice given to Names by members' agents at Lloyd's. Members' agents are responsible for handling the affairs of Names including, crucially, selecting the syndicates in which they participate. Choosing a members' agent is the most important decision a prospective member of Lloyd's must make.

However, most members' agents are chary about advising Names on stop-loss. They generally tell Names that the cover is available and offer advice if asked. But they tend to stop short of recommending specific products.

Some, such as Alec Foster, who looks after 350 Names at members' agency Roberts and Hiscov, are dubious. "We have never been particularly keen on stop-loss. On our estimates over the past 20 years none of our Names would have made a claim on stop-loss, had they

had it in place."

He claims the agency has saved its Names money by not pushing stop-loss. Only around 5 per cent of the agency's Names buy the cover, he says.

This is partly because Roberts and Hiscov places its Names on syndicates that it manages itself. Their liabilities on these syndicates may represent up to 50 or 60 per cent of their total liabilities. This aggregation of risk makes stop-loss underwriters nervous and they raise the premiums.

So how much does stop-loss cost? Brokers say that premium rates vary widely depending on the individual Name's circumstances.

But David Seel, a stop-loss broker at Robert Fraser Insurance Brokers, suggests some "ball park figures": "Supposing you're a middle ranking Name writing between £200,000 and £400,000 across a good range of syndicates. For £100,000 worth of cover excess of 10 per cent (ie £30,000 or £40,000), you might expect to pay around £3,000 - tax deductible."

Wade quotes similar figures and says stop-loss is a "sensible deal for members of Lloyd's". He is mystified that only around half of Lloyd's 25,500 Names are covered.

Perhaps the most fitting verdict on the stop-loss market is given by John Robson, who heads the Merrett members' agency at Lloyd's - one of the largest, looking after 850 Names, such as Alec Foster, he says.

Some of the more jaundiced Names, facing losses which may yet total £1m this year, might argue that in that respect it does no more than mirror the Lloyd's market as a whole.

## The show goes on - for now

THIS WEEK added spice was added to a night out at the theatre: would ticket-holders actually get in to see the show?

When the Keith Prowse ticket agency collapsed last Monday it sent the theatre world into a panic. Many who had bought ticket vouchers from the company would lose both their money and their chance of seeing the production.

As it turned out, relatively few ticket-holders were denied entry to London theatres last week. After some first night nerves, virtually all 95 London theatres accepted that it was in their best interests to continue to show Keith Prowse ticket holders to their seats.

The credit and charge card companies - also after some initial misgivings -



## FINANCE AND THE FAMILY

## The Focused Investor

## Ten top tips for capital growth

**M**OST PEOPLE of working age are more interested in getting capital growth, rather than income, from their investments.

However, many keep the bulk of their savings in a building society, which is really designed to provide income. If you really want capital growth, you have to give up something that a building society offers. You may need to accept a lower income, or you may have to tie your money up for five years. Often, you face the prospect that your capital could fall in value.

But these risks have to be taken. The old saw "You have to speculate to accumulate" holds true. Equities have traditionally been seen as the ideal investment for achieving capital growth. But for many investors, buying shares is too frightening, because of the risk of a fall in prices.

In fact, there are two distinct forms of risk involved in buying shares. The first is that you might buy a holding in a company which goes bust, or plunges into loss. The second is that the stock market as a whole might fall in value.

1. Investment trusts - ordinary shares. There is little one can do about market risk. But an investment trust, which owns a portfolio of stocks, can protect investors from the danger of selecting the wrong company.

Trusts have relatively low charges. If you buy into a trust through a savings scheme the initial charge can be as low as 0.2 per cent; annual management fees are often less than 1 per cent.

There are risks - the price of investment trust shares does not rise and fall precisely in line with the value of the portfolio. Frequently the shares trade at a discount to the trust's assets and if this discount widens, investors can lose money even if the stock market is unchanged. The trust's managers can also make mistakes in stock selection.

2. Investment trusts - capital shares. Most investment trusts aim for both growth and income but there are certain types of trust, called capital trusts, which separate the two functions. Capital shares in such a trust normally receive no income and can only be repaid if the trust's assets rise significantly over its lifetime. They are thus high risk but can do spectacularly well if the stock market booms. Those who are really bullish on the stock market might be attracted; those of a nervous disposition should steer clear.

3. Investment trusts - zero dividend shares. Some split capital trusts also offer zero dividend shares which, as their name suggests, pay no income. They will, however, be repaid at a set premium when the trust is eventually wound up. Though such an event is not guaranteed, the trust would have to perform

disastrously for zero dividend shareholders to miss out. Such shares thus offer low risk, steady growth.

4. Unit trusts. Unit trusts offer the same diversified portfolio as investment trusts but in a different structure. Rather than buying shares, you buy units which rise and fall in line with the value of the fund - there is no discount to worry about. However, costs are higher. There is an initial charge of at least 5 per cent, which is included in a bid-offer spread when you buy units. This means that the fund has to make significant progress just for you to recoup your original investment. Annual management fees are in the range of 1 to 1 1/4 per cent.

There is such diversity in the unit and investment trust industry that the investor can pick almost any investment field his heart desires - from UK blue chips to Japanese smaller companies, from gold to New Zealand. Pick one with a consistent record over at least the last three years.

5. Personal Equity Plans. Investments in a PEP are free of both capital gains and income tax. This makes them, for some people, an attractive way of holding shares. However, one needs to pick a PEP carefully. Unless you have a large portfolio of other investments the capital gains tax exemption is unlikely to be of much benefit. Tax is only payable on gains of over £5,500 in any year - and allowance is made for indexation and for losses on other investments.

Even the income tax exemption can be outweighed by the charges imposed by the plan manager. However, unit trust PEPs usually carry no extra fees and investment trust PEP charges are fairly low. Unfortunately, such plans

are limited to £3,000 per year.

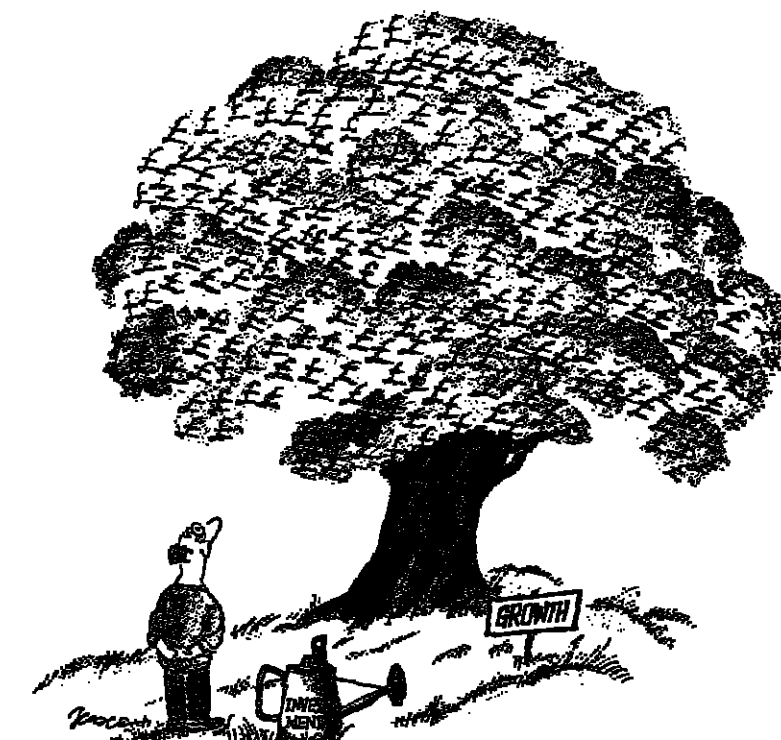
6. Direct equity investment. The profits earned on privatisation issues must have tempted many into buying shares directly. But therein lies the danger. Privatisations are one-off issues, priced in a way that normally ensures they are a bargain. It is far harder to spot cheap shares elsewhere in the market, and private investors can be sucked into "glamour" stocks which turn bad, such as Polly Peck.

A diversified portfolio of at least ten or a dozen stocks is essential and given the dealing costs, you will probably need to start with at least £25,000. Even at that level, many stockbrokers would recommend unit trusts; some brokers require you to have a six figure sum before handling your direct equity

and thus to capital growth. Top executives did very nicely out of such schemes in the 1980s; the government has recently tried to widen their scope.

Under an Employee Share Ownership Plan, workers are given the chance to save up to £250 a month. At the end of a period lasting at least five years, they will either receive a building society return or will be able to buy shares at a discounted price. This is a very good deal. Stoy Hayward has calculated that, assuming a modest growth of 5 per cent per annum in the company's share price, someone who saved the maximum could make a capital gain of £13,395 over five years.

8. Traded options and warrants. These are at the high risk end of the investment spectrum. Both give inves-



investments on an advisory basis. When choosing a broker, the snag is that few will quote performance statistics for their private client portfolios - if possible, look at the record of any unit trusts they manage.

7. Employee share option schemes. These may offer one of the best ways for investors to get access to equities

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10. Index-linked National Savings certificates. These pay no income but increase in value faster than inflation - if held for five years, they offer a real, tax-free, return of 4.5 per cent per annum at no risk. If that rate had been on offer since 1945, an investor buying index-linked certificates would have outperformed one buying equities. The snag is that you can only buy £10,000 of them.

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## Philip Coggan outlines the choices for investors in search of growth rather than income

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I AM considering making a loan to my stepson to allow him to extend his house. On the assumption that the extension would cost approximately £25,000 and that I make a loan of that amount at, say, 5 per cent from my building society account could you advise me regarding the following:

(a) As this is a family matter am I bound to disclose the loan on my tax return?

(b) Would such a lower rate be permissible?

(c) Would my tax situation be adversely affected? I am married, in my mid-seventies and my husband is several years older. I am in good health and would hope to live at least for a further seven years.

(a) You must report the loan as a new source of income.

(b) The low rate of interest should not cause any particular problems.

(c) You will be assessable to income tax on the interest.

If the rate of interest may be changed from time to time you should bear in mind the rules of assessment for untaxed interest. First year in which interest is paid: current year's interest; Second year: current year's interest; Third year: previous year's interest (again); OR current year's interest, whichever you prefer; Fourth year: previous year's interest - and so on, until the year before repayment of the loan, which is assessed for the previous year's interest OR the current year's interest, whichever is the higher. For the year in which the loan is repaid, you will be assessed on the current year's interest.

These odd rules are beneficial if the change of rate of interest is always upward, but are penal if the rate of interest is reduced at the wrong moment.

**Futures liability**

I WROTE to my tax inspector asking about the tax treatment of profits on commodity futures, traded options on these, and traded options on the FTSE index.

He replied saying: "Transactions in traded options are regarded as subject to income tax rules only where they are entered into by persons whose profits and losses on disposal of stocks and shares are taxable under case I of schedule D, eg financial concerns and investment dealing companies."

"Transactions by an individual are normally dealt with under the capital gains tax

rules. Transactions in commodity and financial futures on a recognised futures exchange are dealt with in a similar manner."

I remember reading in your columns some time ago a reference to this subject which implied that the true situation might be quite different. I should be grateful for your comments. If any such profits are in fact taxable as income, I would also welcome your views as to whether any losses on such trades can be offset against income from other sources.

Your tax inspector has given a correct outline of the current position. A free booklet, entitled *Taxation of traded options - private clients*, is obtainable from the International Stock Exchange, London, EC2N 1HP.

It is most unlikely that the general or special commissioners would find, as a question of fact, that transactions in futures and options by a private individual fall within the scope of case I of schedule D. Transaction in most futures and options are excluded from the scope of case VI of schedule D by section 128 of the Income and Corporation Taxes Act 1988, covering (inter alia):

i) commodity futures and financial futures dealt in on a futures exchange designated by the Inland Revenue.

ii) commodity futures and financial futures entered into an authorised person or a listed institution, as defined in the Financial Services Act 1986.

iii) options (including warrants) quoted on a futures exchange or stock exchange designated by the Revenue.

iv) stock exchange traditional (conventional) options, and similar options granted by or to a member of an overseas

## Tax burden on a family loan

## Q&amp;A

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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iv) stock exchange traditional (conventional) options, and similar options granted by or to a member of an overseas

stock exchange designated by the Inland Revenue.

v) options relating to currency, shares, securities or an interest rate granted by (and in some circumstances to) an authorised person or a listed institution, as defined in the Financial Services Act 1986.

The references to futures exchanges and stock exchanges "designated by the Inland Revenue" include the London International Financial Futures Exchange and the International Stock Exchange of the United Kingdom and the Republic of Ireland, which are designated by statute.

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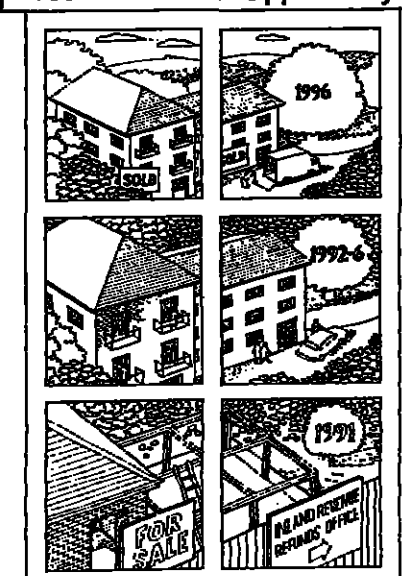
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- Expert advice should be sought before investing in BES Schemes.
- Applications to subscribe will be accepted only on the terms and conditions set out in the Scheme Document.
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## ACT NOW







## SPORT/MOTORING

Croquet/Nicky Smith

## Battle on an English lawn

A STRING quartet accompanies the soft clunk of croquet balls in front of the neo-classical clubhouse at Hurlingham, London. Spectators doze in deckchairs at the close of an Indian summer. This is British sport at its best. Even when it rains, you cannot beat England for a good game of croquet.

Today and tomorrow provide an ideal opportunity (and possibly the last for several years) to see the game played at top level in perfect surroundings as players from a dozen countries compete for the World Croquet Championships.

Next year, the Americans hope to hijack the event. But even in the US they will have a hard time fighting off the British talent, and at the start of play last Sunday the home contingent, who dominate the international game, were again looking strong.

Chris Clarke, at 20 the youngest competitor, opened with three wins. Against the Italian Luigi Colombo he made a flourishing sextuple peel, the equivalent of snooker's 147 break.

Robert Fulford, 22, who won the Open Championship earlier this year, had said he felt "not unconfident" of retaining the World title. However, he lost at the start of the week to Jim

Bast of the US and found himself struggling in a tough qualifying block.

David Openshaw and Stephen Mulliner, the two senior British players, had easier draws. Mulliner swatted aside Frenchman Jean Baptiste Grochain and Jerry Stark of the US, who has improved considerably since he first came to Britain three years ago.

Openshaw, known for his ability to hang on to a game until the bitter end, beat Wayne Rodoni of the US and Ian Burridge of Wales but could not shake off New Zealand's Joe Hogan, the first man to win the World title in 1989.

Bast's win against Fulford proved that the Americans mean business. Next year, they hope to hold the World Championship at Newport, Rhode Island, hitherto better known for sailing and tennis. The United States Croquet Association prides itself on running its affairs as a profit making organisation and their plans for the tournament could test the Corinthian spirit.

Tremaine Arkley, a businessman from Independence, Oregon, and chairman of the USCA's International Committee, says they chose Newport as one of the few venues in the US with enough courts and prestige to match Hurlingham. But there the similarity ends

for the Americans want a much more "accessible" tournament and intend to have "additional activities" to pull in the spectators.

"I don't want to call it a 'circus', that's not really fair," says Arkley "but we might have some legends of croquet playing exhibition games and other sporting events coinciding with the championship because we're trying to open it to everyone and draw in casual spectators from those who are just in Newport for holiday as well as local residents."

the USCA's profit-making exercises have included a healthy side line in croquet 'extras': selling equipment and tee shirts and promoting celebrity events.

With the weight of experience on their shoulders, not everyone on the governing body of the British game will be sorry to see the tournament taken off its hands. Sponsorship for croquet is hard to find - this year's event was only saved by Wimbledon Lawn Tennis Club which stepped in at the eleventh hour to pick up half the costs.

Not everyone feels that the USCA is as "organised" as it claims. Arkley brushes the criticism aside. "The USCA right now is in good financial condition," he says firmly. "We've pared our expenses. We

still aren't rich in terms of money for sponsorship events but we're running our organisation professionally and we're making a profit."

He says the sport is growing fast in the US. An "amazing number" of croquet courts are being built, many as part of retirement housing developments. The USCA has also adapted the British practice of promoting croquet in schools, using the game's tactical aspect as part of the mathematics curriculum. Arkley believes this gives the US a growing advantage over the other two great croquet playing nations, Australia and New Zealand.

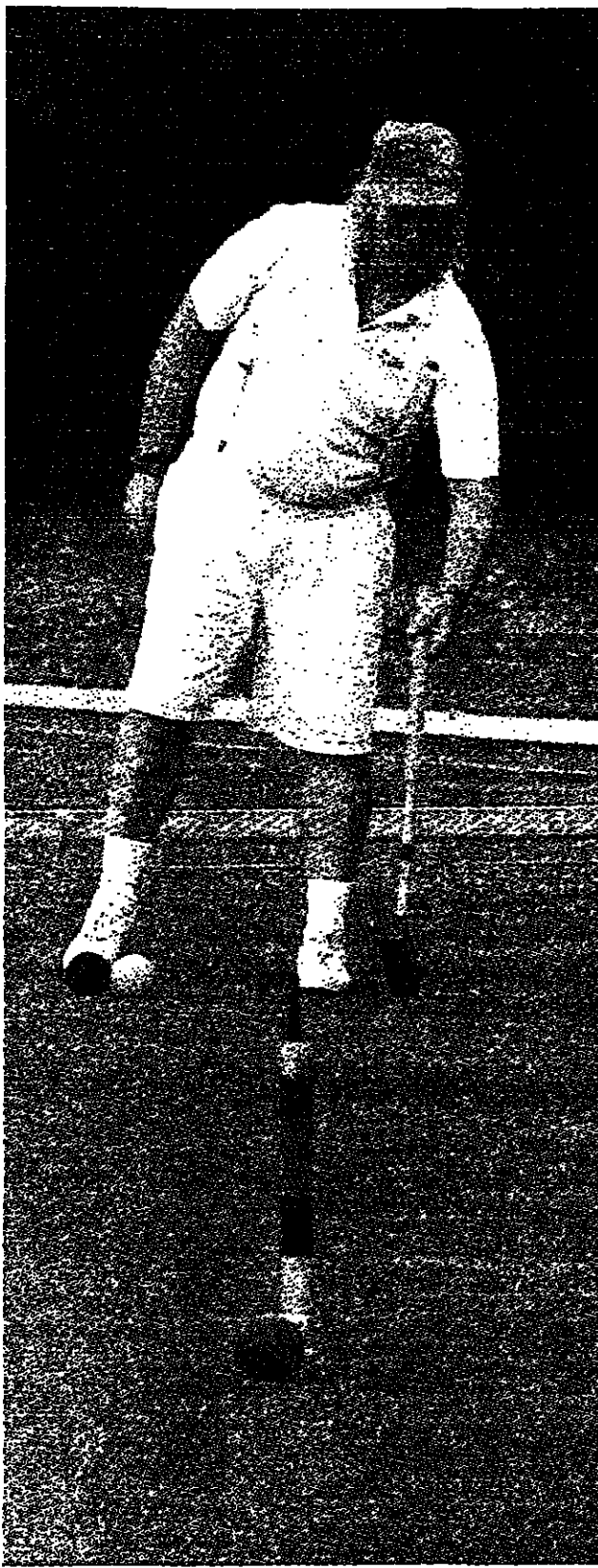
"The US will be participating in the next Test (in 1993) for the first time and there is no doubt that America will be number two to Britain soon, because there are no young players coming into the top level in Australia or New Zealand whereas we have got a lot of young players."

The Australians at least seem unruffled. At 36, Mark Kobelt may not be as young as Fulford and Clarke but he is a great example of Australian determination and delight in the game. A sheep shearer from New South Wales, he calls himself "a small town bushie" who entered his first official tournament just three years ago. "The game's brilliant. It's really challenging and requires such a variety of skills," he says.

Meanwhile, in France there are now five official clubs. However, Antoine Ravez, President of the Federation Française de Croquet is alarmed that, following a two-page article in *Figaro* magazine, he has been inundated with enquiries to start clubs.

"Three hundred and fifty in one month," he says in shocked tones, adding that he has no intention of letting them all in on the act. "They are not all serious. We can't waste time with people for whom it is just a mode."

The *Final of the World Croquet Championship* will be played at the Hurlingham Club, Ranelagh Gardens, London SW6 tomorrow starting at 10 am. Tickets are on sale at the gate at £5.50.



Hoop-la at Hurlingham: Jerry Stark is part of the US invasion

Lydia van der Meer

Golf/John Hopkins

## French in the rough

THE FRENCH have taken up golf with a vengeance. The nation that provided the winner of the Open Championship in 1907 has become besotted by *le golf*. You only have to attend the Lancôme Trophy at Saint-Nom-la-Breche outside Paris this weekend to see that in France, *le golf* is *très chic*.

The boom began nearly ten years ago when golf was growing in popularity elsewhere on mainland Europe. Within six years the number of courses in France had doubled. The number of registered players rose from 43,613 in 1981 to 135,146 in 1988. By the start of the 1990s it was hard to avoid the pervading influence of golf - even if it was only a pattern on a tie or a belt or a symbol on a keyring. One hundred and fifteen courses had been created since 1984, a rate of expansion that matched the extraordinary surge in golf-course building that went on in the UK in the late Victorian and Edwardian eras.

That was only the half of it. In January 1989 a further 69 golf facilities were under construction. Of these, 59 were to be private golf courses. By January 1991 there would be 400 courses in France.

That was the plan. Unfortunately, the reality is somewhat different. France has been hit by the recession. It is not known how many golf courses have closed, are operating at a loss or are for sale in France at present, but it is a lot.

One example will suffice. Château des Forges Golf & Country Club SA is set amid 200 acres of rolling, wooded countryside 20 miles southwest of Poitiers. In 1989 work was begun on behalf of its Swedish owners to convert the château into an hotel and restaurant and to build 27 holes of golf.

"It was correct at the time," explained Ingemar Hagblom, the finance director. "There was to have been golf from March to October and after that hunting for wild boar. To come here was very easy. It is very suitable for northern Europeans, particularly when the Channel tunnel is finished. For Johansson and me it gives us the feeling of being at home."

The cost was FF600m (\$8m). Little was spared. Tiles from Spain were imported for bathrooms. The golf office, an attractive sandstone building, was moved from Angoulême, 60 miles away. Nothing was too much trouble or too expensive. It was a pattern of extravagance that was being repeated all over the country.

The trouble was that not enough golfers came to Château des Forges. Nor were they flocking to many other of

France's new projects. The number of people able or willing to pay the large membership fees was much smaller than had been thought. "Golf became a buzz word, like tennis," said Charles O'Brien, an Irishman who owns Les Petites Chaumes, a pitch and putt course outside Surgeres, an hour's drive from Château des Forges. "They didn't know what was involved, the amount of money, the amount of maintenance. It's not like tennis where once a court is done, it's done."

O'Brien's pitch and putt project stands on family-owned land, much of it built by the sweat of his own brow. It has survived while many of the more ambitious projects in neighbouring regions have not. Château des Forges was hit by the Gulf War. "Wars can be good for business and can be bad for business," said Hagblom. "This was bad." Work fell behind, costs rose, interest rates too. In August, the owners sought another FF20m or they would have to sell.

The moral is that big is not necessarily better. Small can be beautiful, too. Meanwhile, the men at Château des Forges ponder the future. "I don't know whether we can pull through," said Hagblom. "Right now we are just holding our thumbs for the storm ahead."

Frankfurt Motor Show

## Cars for a green future

Stuart Marshall on a long list of newcomers

THE MOTOR industry may be licking its wounds and looking at an uncertain future but you would never suspect it at Frankfurt's exhibition centre this week.

The car show which opened there on Thursday for a 10-day run is bigger than ever. There are so many new models on display it seems certain that the entry list for next year's European Car of the Year Award - it will be finalised in a few days time - will be longer than ever.

Cars for every conceivable need (and a few inconceivable ones) include a computerised sports car with a theoretical top speed of 192 mph (308 kmh) from Mercedes-Benz that alters shape to suit driving conditions.

This road-going experimental car, developed from its World Championship C11 sports-racer, is not for sale. If it were, buyers would find that, like all Mercedes-Benz production cars, it has been speed limited to 155 mph (250 kmh). However, some of its systems are bound to be seen on future Mercedes-Benz cars. Among them are aerodynamic aids to increase downforce, when needed to improve braking and grip, tyre pressure monitors and active suspension that eliminates unwanted body movement.

The thought of any supercar - even if limited to 155 mph - going on sale at all is enough to make many an environmentalist's or road safety campaigner's flesh creep. (At times, mine too). But everywhere at Frankfurt there is evidence of the impact of environmental issues on the car manufacturers.

Volkswagen believes that its squeaky-clean Chico concept could form the basis of a new class of car to meet changing social and environmental needs. Chico, only 10 ft (315 cm) long, has semi-sliding doors that are safe and easy to open in confined places and a hybrid power train. In town, it is driven by battery-electric power in the country, by a 34-horsepower petrol engine with 5-speed gear box.

Hybrid, rather than purely electric power, is seen as a realistic option. For city centre use, the short range of an electric car with cheap, conventional lead/acid batteries is acceptable and its limited performance even desirable. Out of town, an internal combustion engine is more practical. Chico switches from one to the other automatically. Volkswagen says it could also be made with straightforward petrol or diesel drive trains.

BMW's E1 concept car is purely electric but it has high energy (and high cost) sodium sulphur batteries. They are so efficient that E1 has a top speed of 75 mph (120 kmh), gets from 0-30 mph (0-50 kmh) in six seconds and runs for 150 miles (241 km) between six to eight-hour overnight charges. With an aluminium chassis and plastic body panels, BMW says E1 would be simple to recycle when its working life was over.

The need to reclaim the materials from which cars are made is a theme among all exhibitors. It is not enough for cars to have reduced emissions. Makers boast of the care they take to minimise environmental damage caused by the manufacturing process itself.

Volkswagen has scored a first by agreeing to take back its all-new Golf (due in Britain next spring) for disposal when its working life is over. This is one car unlikely to be seen dumped by the roadside in the 2010s and after.

Other hybrid vehicles are being shown by Britain's International Automotive Design company and Ford. IAD's chassis could be the black cab of 21st century London. The 80 mile (128 km) range of its sodium sulphur battery can be at least doubled by boosting its power with a very small petrol engine. Ford's sodium sulphur battery powered Escort delivery van goes for 100 miles per charge, 250 miles as a hybrid.

Back to the immediate future, there is more good news from Frankfurt for buyers of large estate cars. Ford is showing its long awaited Scorpio estate which will be offering competition to Citroën's new XM load carrier, though not until early next year in the UK. It will be available with 4-cylinder and V6 engines, automatic transmission and air conditioning. UK sales of Mitsubishi's interesting 1.8 litre, multi-valve engined Space Wagon and compact Space Runner multi-purpose vehicles, which are making a Frankfurt debut, start on October 1.

Volkswagen claims the Golf is safest in its class and that it is able to meet the rigorous laws to be introduced in the US in 1993. One of the standards for a 35 mph (56 kmh) frontal crash is equivalent to the Golf being dropped on to concrete from a fourth-floor window. It is also, says VW, the first car to be offered throughout Europe with a catalytic converter as standard. Though unmistakably a Golf, its styling is rounder than before and the interiors more welcoming. Locking horns with the Golf is Vauxhall's (and Opel's) latest Astra, yet another Frankfurt newcomer, which arrives in Britain next month. The Astra - Opel has dropped the name Kadett - is evolutionary rather than revolutionary. But the Astra hatchbacks, saloons and estates look fresh and have some bright and sensible ideas.

UNTIL NOW, the blood line of Toyota's family cars ran from Starlet to Corolla, Camry to Camry. But not any more. The current Camry is a good car, its successor, unveiled at Frankfurt, is even better, because it is a son of Lexus, not a relative of Camry.

Lexus is Toyota's up-market brand. The Lexus LS400, 4-litre V8 powered and sepiuchally silent, compares with cars like the Mercedes-Benz S-Class, BMW 7-Series and Jaguar in everything except price.

The latest Camry V6 GX even looks rather like the £37,000-plus Lexus LS400 in some respects. It brings similar refinement within reach of buyers with around £23,000 to spend. For this they get a medium/large executive saloon with a 3-litre, 185-horsepower V6 engine, automatic transmission, air conditioning, cruise control, ABS brakes, CD player and leather upholstery.

In Bavaria last week the Camry V6 GX 1 tried was almost unmercifully quiet at up to 120 mph (193 kmh) on the autobahn. Hard acceleration made the engine hum musically but wind roar and tyre induced road noise never intruded. It coped comfortably with all kinds of roads and handled with the nimbleness and security Europeans expect of a car of quality.

The 2.2 litre, 134-horsepower 4-cylinder engine of the GL (about £17,250 when the cars go on sale in Britain on October 16) has to work a little harder but is almost as self-effacing as the V6. Toyota lists 17 class rivals, from Alfa 164 to Saab 9000, BMW 5-Series to Volvo 900 Series. I doubt if any can beat it for a combination of refinement and value.

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## HOW TO SPEND IT...

# Now the winter warmer gets a slick new silhouette

The designers of this season's dream coats have rediscovered their fun and flair, reports Lucia van der Post

IT IS TIME to pack up the barbecue, put the cover on the swimming pool and address the serious matter of how to keep warm and fashionable in the winter to come.

For the last few years the mild weather and the prevailing fashion ethos have combined to persuade many a fashionable woman that she could get through the chilly season without that erstwhile staple - The Winter Coat. The modish addiction to building a silhouette from layers of clothing, the attachment to bringing sporting garments in from the cold and adapting their lines

for city wear, meant that a combination of sweaters, sarapes or throws, anoraks and parkas could see almost anybody through the British winter.

Not surprisingly this was a little dispiriting for coat designers, whose lack of verve and confidence was there for all to see on the coat rails in the stores. This year, the depressing circle seems to have been broken and coats once again look tempting - they glitter in gold, beckon with softness and dazzle with sheer verve. The over-riding look is big and generous on top tapering to slim legs. Remember

that the basis of the autumn wardrobe is still likely to be very lean - bodies, bodysuits and leggings are the first layer over which the rest of the silhouette is built.

There are several key looks to choose from. The duvet coat - slicked up and much more sophisticated than in the early days when Norma Kamali's long padded coats made the once chic citizens of Manhattan look like walking sleeping-bags - is with us once again.

It is at its most sophisticated (and expensive) when sculpted by Issey Miyake, Claude Montana or Jean-Paul Gaultier, but countless more workaday manufacturers have versions of their own at very much lower prices. MaxMara does a very luxurious version trimmed with real fur while Frank Usher has a gold padded evening model which is long on glamour, if not on warmth, for £110. It looks at its best (doesn't everything?) over long, skinny legs clad only in tights or leggings.

The egg-shaped coat (these balloon out in the middle and are narrower at the hem) is another fashionable shape this winter. It is probably at its most chic in the hands of names like Byblos and Claude Montana but Harvey Nichols does its own-label version in wool and cashmere for £255. MaxMara has several versions in classic colours like navy and camel through to the brilliant new lipstick colours; prices start at £350. Needless to say these, too, look at their best over long, long legs.

Short swing trapeze coats in jewel colours are everywhere - again MaxMara does them clearly, simply and beautifully. Duffles and parkas, in sophisticated urban mode, are with us again, smartened up and in fabrics ranging from padded silk (a lovely version at Episode shops) to warm acrylic and soft wool.

The bargain of the season probably once again comes from River Island, the chain which makes a point every year of doing something stunning with fake fur. This time round it is a soft, pale hooded duffle in cream acrylic which sells for just £95.

Little short, tightly-belted coats with flared skirts are sometimes a proper coat to be worn over something else and out-of-doors and sometimes just a coat-dress worn completely on its own. The silhouette is very 60s, very little girl. Joseph does a wonderful one in gold satin.

Not everybody wants a full-length coat - the very lean and young would look wonderful, for instance, in a bodysuit topped with Nicole Farhi's marvellous fake fur flying jacket. But those who like to be in on new trends before they really take off should note

that the very latest shape of all is the fit and flared military coat. Think Doctor Zhivago and you will get the idea. It is the sort of coat you would want to have on if you were going to elope on the Trans-Siberian railway. Fur or velvet-trimmed, worn with thigh-length boots it is the very opposite of the sassy, pert trapezes and egg-shapes.

The problem with wanting to get in on a trend early is that the first foray into sartorial waters is usually done by the designer labels - Edina Ronay does a wonderful version for £785, and Ralph Lauren has a wonderful navy military trench coat at £450 with epaulettes, gilt buttons and huge gold-banded cuffs. The best department stores all have a few of these on the rails but don't expect the look to take off properly until next year - by which time you will be probably be able to buy them for around £100 in any one of a number of chain-stores.

ILLUSTRATIONS:  
NICOLETTE EISEDELL



This winter coats come many-shaped but the overriding look is short and capacious on top with lean, lean legs below. Sketched here far left is Nicole Farhi's short and swingy wrap-around with a fake fur shawl collar. In a variety of chic colours - honey, oyster, mint, currant, black or charcoal - it sells for £395 from Nicole Farhi at 6 Market Street, Manchester and 193 Sloane Street, London SW1 and also from Harvey Nichols at 190 Knightsbridge, London SW1 and Cleo, 13 William Street, Windsor, Berks.

Top left is Joseph's double-breasted trenchcoat in sizes 10, 12 and 14, it sells for £279 from Joseph at 26, Sloane Street, London SW1. It looks most glitzy in gold but also comes in navy or bright pink.

Above, the duffle coat is one of fashion's perennials, always turning up in one form or another. These days the designer brigade have got their hands on it and smartened it up, city slicker style. River Island's pale soft hooded version comes in 100 per cent acrylic. In cream only, sizes 10-14, it sells for just £99.99 at select branches of River Island and must be one of the bargains of the year.

Near left: short jackets work wonderfully with lean leggings. This version is in brown fake fur (67 per cent polyester, 33 per cent cotton) and comes in a variety of colours - ocre, aubergine, sage, black and brown. In sizes 8-14 it sells for £345 and is available from Nicole Farhi shops, Cleo, and Harvey Nichols.

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## ... HOW TO WEAR IT

## The psychology of shirt tales

FOR THOSE who feel more at home with chain-store prices than designer labels this is a good year. At Marks & Spencer there really is some excellent value - up-to-the-minute designs have been coupled with good prices, but you need to make it to one or other of the main branches (in one case London's Marble Arch only) and you need to be quick: these sort of high-fashion bargains sell out fast.

Look for a short-sleeved shirt at just £39.95. It is what is called an "edge-to-edge" coat (that is it has no buttons) and is perfect to wear over the knitted looks that are everywhere this autumn. It can look formal for evening and be worn casually over jeans - this season's version, if you like, of the classic. It looks good in white but comes also in a honey colour.

For those who like leather - and leather and fake leather was everywhere at the designer collections - Marks & Spencer has a very zippy short-sleeved leather coat, fully lined, for £250.

Those in the know will tell you that it looks very like a much more expensive designer number. It is exceptional value - it would probably be double the price anywhere else - so you will have to be quick off the mark. It is only in the top stores, including Marble Arch.

Finally - and this one will be only in the Marble Arch branch, in about a fortnight's time - look out for a three-quarter length coat in charcoal grey with an enormous black fake fur hood. It has big penny buttons and drawstring at the bottom, is 75 per cent wool, and costs £39.95.

TO SOME of us the shirt does not seem the most revealing of garments. When clean, crisp and well-chosen we do admit it has a certain charm and some are more charming than others - but deeply revealing? Well, some of those whose business it is to sell shirts have taken a good, long look at the matter and have their own perceptions of what a shirt is saying about the man who wears it.

Charles Tyrwhitt, a young and keen shirt-making company that has a team of pretty sales girls going into some of the grandest offices in the City of London has put together a (light-hearted) guide to what your shirt says about you, based on the observations of the girls themselves.

He who wears nothing but white shirts has, it seems, difficulty expressing himself and is definitely dominated by his mother. Small stripes, close together, are worn by the traditionalist with conservative tastes, although he is a true gentleman among women. Bold stripes, wide apart, on the other hand, mean that you should take care - the wearer is likely to be very ambitious and competitive, the sort who plays office politics for real.

Multi-coloured stripes are for the sexual athlete, he who likes to display his body and enjoys fast living, fast cars and fast women. Put on a pink shirt and you are deemed to be a quiet romantic who savours life's most refined pleasures. The man who wears his sleeves rolled up is likely to be a larger lout, more interested in his Saturday nights than his job.

Cufflinks, the girls observed, were the mark of a stylish, sophisticated and charming man. Those who don't wear a tie and leave the top button of a shirt undone are lazy, egotistical and slobbish but for some unaccountable reason attractive to women. This type is also keener on payday than the job in hand. The chap who keeps his jacket on all day is insecure, afraid of women and a nuisance in the office, while the man who never wears a jacket is super-confident, authoritative and very aware of his attractiveness to women.

Finally, he who wears a cotton shirt is a genuine, clean living, down to earth sort of chap who takes care of his appearance and is liked by his work mates, but the chap who still wears nylon shirts is weedy, old-fashioned and has

never had a girlfriend.

James Meade, one of the leading purveyors of shirts by mail, set about unearthing current trends in shirt-wearing by stationing two people in the heart of the City with a brief to do nothing but shirt-watch. They discovered that the older and the more high-powered the worker was, the shorter his lunch and the fewer drinks he had. The younger they were, the more they got out and about at lunch-time and the more likely they were to do a little shirt-buying on the way.

The shirt spies found that the younger men went for button-down collars, plain coloured shirts, long sleeves, double cuffs and often wore their tie loose and the collar undone (as if to indicate they were getting down to very serious work). Wall Street-style braces are no longer the thing, nor are

my "Street" accolade, with real mother-of-pearl buttons and (a big USP this) removable brass collar stiffeners.

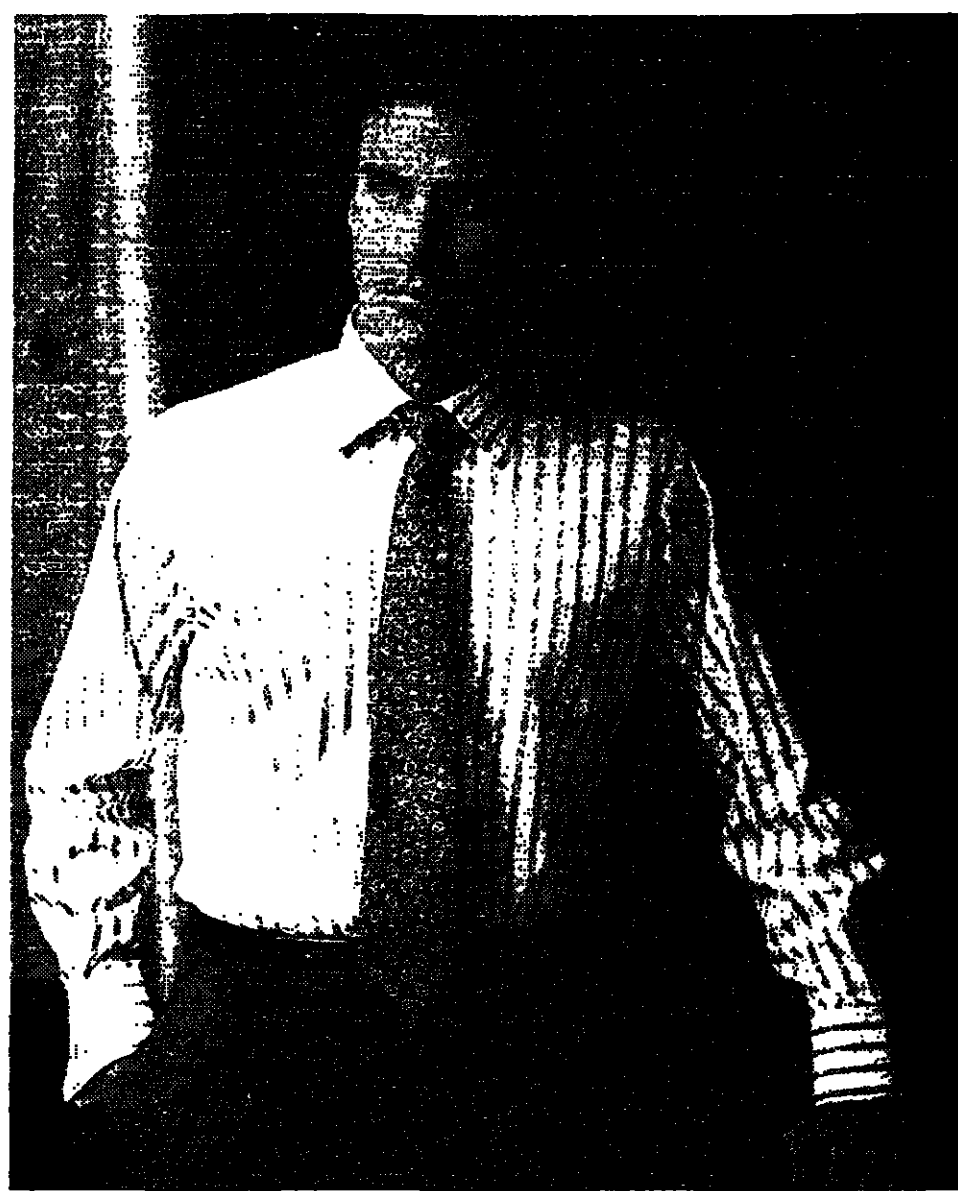
There are back pleats, extra long tails and quite a choice of sleeve lengths with double or twin-button single cuffs. Then there are two Oxford cottons and one country shirt in 80 per cent cotton, 20 per cent wool. All are a standard price of £34.50 BUT (and given that Charles Tyrwhitt researches say that the average City type buys 6.1 work shirts year this is worth noting) it gives one free shirt for every four bought, which brings the price down to £27.50 each.

Charles Tyrwhitt sells a great deal in City offices - it will deliver the same day by bike if necessary - but shirts are posted all over the UK. Write for a brochure to: Charles Tyrwhitt, 32 Faraday Road, Farnham, Surrey GU10 5BR. (Tel 081-663-0319).

James Meade has been in the business longer and has a slightly larger range of fabrics, offering 22 different designs as well as regular or cut-away collars, single or double cuffs. At the moment its winter brochure features some special offers on end-of-lines, offering two-fold poplin shirts at £32.50, although the basic price has just risen to £40.50. It uses removable plastic stiffeners but sells silver or gold ones for £29.50 and £125.00. Orders normally go out in a "week or two" but can take four weeks.

Write to James Meade, 48 Charlton Road, Andover, Hampshire SP10 3JL (Tel: 0264-333222) for a brochure.

Thomas Pink is a specialist shirt business that grew rapidly back in the 80s when niche businesses were booming. It aimed to do what James Meade and Charles Tyrwhitt do - to sell high quality, so-called "Jersey Street" shirts at competitive prices. It took off at once



Watch those stripes - they may be giving away more than you know...

and expanded into mail order.

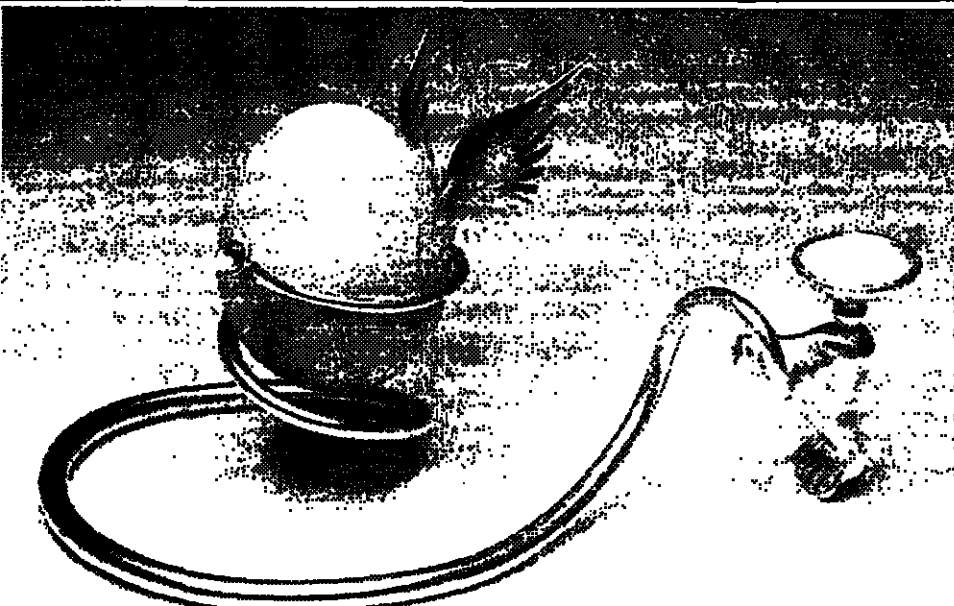
Fans of Thomas Pink like its range of stripes and there are those who claim that the cut is roomier and the tails longer.

James Mullen, one of the three brothers who runs the company, is exceedingly tall and he is said to have created shirts to suit himself. Today it seems to be heading out of mail order (there are no brochures available for the present though existing customers

can order more of the same, so to speak) and expanding its retail side. It now has shops at Blomfield Street, London EC2, 35 Dover Street, London W1, Drayton Gardens, London SW10 and 16 Cullum Street, London EC3.

It has developed a label system rather like the Champagne houses. Black label is top of the range and means the shirt is of two-fold cotton poplin, cotton Oxford, pinpoint Oxford

or cotton batiste and costs £39.50. Next comes the Red label, which signifies single-fold poplin, though the same manufacturing standards, and sells for £29.50. The City shop in Blomfield Street has seen the launch of a new soft-roll, button-down shirt which rejoices in a Blue label and costs from £32.50 to £34.50, depending on whether it is in pure cotton poplin, cotton Oxford or Oxford pinpoint.



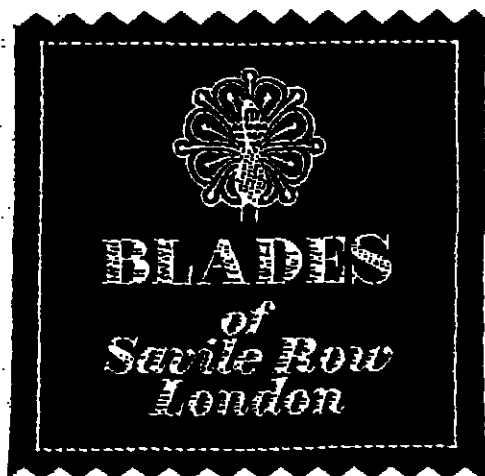
LORNA CAMPBELL'S marvellously inventive silver egg-cup is one of 72 pieces by graduating art and design students that Zeev Aram has collected for sale in his Covent Garden showrooms. For the last four years Zeev, of Aram Designs, has visited British colleges to bring the best work to a wider audience. It is a labour of love - he takes no commissions, charges no fees - hoping to bring together industrialists and this rich pool of talent. Anyone interested can get a contact list of the students' names and addresses, and even those who have no employment to offer ought to find plenty to admire. The exhibition, at Aram Designs, 3 Kean Street, Covent Garden, London, runs from September 13 until October 4, from 9.30 to 5.30 five days a week. Lorna's egg cup, in sterling silver, costs £220.

The parka (above) is a perennial classic design, long appreciated by those who live rugged outdoor lives. In recent years it has come in from the cold and been refashioned in every fabric from fragile silk to tough acrylic. This version by Byblos is an exceptionally luxurious model made from 80 per cent wool and 20 per cent cashmere. In sizes 10 - 14 it comes in cream only from Harvey Nichols, 190 Knightsbridge, London SW1. Browns of 27 South Molton Street, London W1 also has it in cream and black. £460.

Finally, he who wears a cotton shirt is a genuine, clean living, down to earth sort of chap who takes care of his appearance and is liked by his work mates, but the chap who still wears nylon shirts is weedy, old-fashioned and has

Kitchen talk

Geoffrey Drayton Interiors, the purveyors of splendid kitchenware to the designer set featured last week, are to be found at 4, Porter's Walk, Tobacco Dock, London E1.



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## FOOD &amp; DRINK

**I**F YOU were to take the tree-lined Route Nationale 113 from Bordeaux, centre of the traditional wine world, to the unrivalled concentration of wine bargains that is today's Languedoc, the first vineyard you would come to, after three or four hours bisecting vast sweeps of cereals and sunflowers, would be those of Cabardès (pronounced "Cab-are-dess").

Here the scale is altogether different. Narrow roads, heady with the Mediterranean scents of wild fennel and thyme, dip and dive around patches of vines punctuated by garigue and pines. White boulders and rocky outcrops are the more obvious manifestations of geological diversity. From them you can see the extraordinary turreted *Cité de Carcassonne* just to the south and, on a clear day, west along the Pyrenees all the way to Lourdes.

It looks idyllic and the two dozen wine producers of Cabardès are dedicated to keeping it so, but they have a problem. Their export prices are often as low as £100 or 50p, per smart ex-château bottle.

What brings headaches and near-penury to these vigneronnes, and thousands of others in the Languedoc-

## Integrity, for less than £3

Roussillon, is of course a gift to wine consumers. But the unusually cohesive, committed and uncompromising hand of Cabardès producers can offer those used to the flavours and dimensions of red Bordeaux something special: an introduction to the Languedoc that is not just geographical but tastable. Cabardès, almost all of it red, tastes like a halfway house between the familiar Cabernets and Merlots of Bordeaux's Atlantic vineyards and the Languedoc's more Mediterranean make-up of Grenache, Syrah, Cinsaut and the ubiquitous Carignan vine.

A full-blooded St Chinian or Fitou can come as a bit of a shock to a palate reared on St Estèphe or even Fronsac, but a typical Cabardès has the same sort of weight as a Bordeaux and contains a cocktail of "Atlantic" and "Mediterranean" grape varieties. As Gabriel Tard, a young lawyer who decided to dedicate himself to upgrading his family's Château de Brau says defiantly: "We don't want to be like the rest of the world mak-

## Jancis Robinson finds bags of character and bargains among the wines of Cabardès

ing just another wine that tastes like Bordeaux".

His property is in the south-eastern sector of the region where, as one would expect, the Mediterranean varieties predominate and the wines, such as those of garlanded Château Salitis, taste rounder, riper and fuller as a result.

Another of the region's bigger properties, and probably the most widely available, is the historic Château de Pennautier - Molitère stayed here - whose holdings include vineyards spread widely over Cabardès' varied subregions. Château de Pennautier 1987 is just £2.90 at Sainsbury's and the much riper 1989 is £3.49 at Peatlings, London EC1 and

East Anglia and £3.45 at Haynes Hanson and Clark of SW6. These very Cabernet wines are also shipped from this tiny vine outpost to San Francisco.

Patrons of Britain's Majestic Wine Warehouses may well be familiar with the wines of Château de Ventenac. Owner Alain Maurel is most proud of the 1989 red at £2.99. Waitrose sell his Domaine Lecaude Cabernet 1989 for £2.95 - a much better buy than the muddy, blended Cabardès Waitrose stock at £2.79. The more acid soils of Ventenac on the west, more Atlantic side of the region make for distinctive reds and delicate roses that express well the unique "Vin de Deux Mers" style of Cabardès.

The region has been paid the compliment of relatively new investment. A talented young winemaker from the Conques co-operative will be making his own first vintage at La Ventaillole this year and Domaine des Caudettes-Bautes, also in the west, is the result of hard work on the part of

the Rouquet brothers previously in the cereal business. Their attractively Syrah-influenced 1989 is £3.49 at Iwings, Eaton Elliot of Alderley Edge have the robust Ch Rivals 1988.

On the other side of Carcassonne is another VDQS candidate for AC status and the appellation "Ideal Introduction to the Languedoc", Côtes de la Malepère. Prices are equally attractive but the region, being wetter and more westerly, is even more Atlantic-influenced and, with the exception of such dedicated individuals as Henri Turatti at the Domaine de Matibat, tends to be much more dominated by big co-operatives than the more individualistic Cabardès to the north.

As the age of vines in the newly-renovated vineyards of Cabardès increases, and as winemaking expertise and equipment improve, the wines of Cabardès should get better.

They are already beautifully packaged, looking at first glance almost indistinguishable from a château-bottled claret costing three times the price. One wonders how many wine buyers have picked a bottle off the shelf thinking that Cabardès is that famous red grape variety they use in Bordeaux.

## Cookery/Philippa Davenport

## Champion of English food

**A**RABELLA BOXER'S is a quiet voice of calm and sanity in today's hyped-up foodie world where internationalism runs amok and too many cooks look for applause instead of aiming to please.

Her first book, *First Steps Your Cookbook*, published in 1964, was written as a protest against the fashion for elaborate, pretentious and over-rich foods.

Her recipes then, and since, have been remarkable for their use of ingredients that are the best of their kind. Her aim is always to show off good foods, not to show off the cook.

Her latest book, due out next week, laments our national tendency to decay and neglect our own foods and to lavish praise on other nations.

"The English are a strange mixture of complacency and insecurity, for they genuinely don't seem to value their own culinary inheritance," she writes. She sets out to restore a bit of proper British pride in good English cooking by describing the "best flowering of excellence" in English food that took place in the wars; a discreet revolution in food as Edwardian pomposity and formality faded and uncomplicated elegance took its place. Also the advent of the Second World War wiped this in the bud.

Arabella Boxer's *Book of English Food* (Hodder & Stoughton £16.95) is a great deal more than a recipe book. Laced with quotes from contemporary diaries, letters and cookbooks, drawing on memories of her own childhood and the reminiscences of family and friends, she describes country house style and that of the great and ambitious hostesses of the time. Vivid pictures emerge of the parties they gave and of family meals; the changing menu patterns that evolved; how, where and what hour meals were served in the upper echelons of British society in the 1920s and 1930s. It makes fascinating and very appetising reading.

The sunny lure of Mediterranean cooking seems unlikely to dim but this book, with its celebration of good English foods, ought to give some way towards redressing the balance.

**ROAST SADDLE OF LAMB**

Rarely seen nowadays, except at gilded dinners, this is, as Boxer says, one of the glories of the English kitchen. In pre-war days it would often have been a saddle of mutton, which has a character all of its own. But a saddle of well-reared lamb is also a marvellous dish. Allow roughly 1 lb per person.

Saddle of British lamb, approx 6 lb; 3 tablespoons best olive oil; 1 tablespoon lemon juice; 6 branches of tarragon and 3 of chervil (optional); ½ pt lamb, beef, veal or chicken stock.

Virtually nothing needs to be done to this joint, except paying for it, before putting it into the oven. In spring and summer, when the lamb is young I rub a little virgin oil all over it, sprinkle over a few drops of lemon juice and some freshly ground black pepper, and lay branches of tarragon and chervil all over. In winter, when the lamb is older and fresh herbs hard to come by I merely rub it with oil, lemon and pepper.

Lay the joint on a roasting rack and cook for 1½-1¾ hours, whatever its weight, at 350°F/180°C, gas mark 4. It does not need basting since it is completely covered with its own fat.

When the time is up, move the joint on to a carving platter and cover it loosely with foil and a heavy cloth. Stand it in a

warm place for 15-20 minutes before carving; this is very important.

While the meat rests, make the gravy. Heat the stock in a small pan and pour off the fat in the roasting tin. Stand the tin over a moderate flame. Add the hot stock to the tin, scraping and stirring until all the caramelised meat juices amalgamate with the stock. Let it all bubble away and reduce for a few minutes, then strain into a sauceboat.

Although saddle is a good-looking joint, it is perhaps easiest to carve in the kitchen. It must be cut parallel to the bone, in long strips, about ¼ inch thick on the outside, tapering slightly as they meet the bone. If too long, they may be cut in half to serve. Sometimes the whole saddle is slightly concave, making it very hard to carve. In this case cut the whole joint across in half with a strong knife then carve as above, in shorter strips.

**BOXER RECOMMENDS USING A MIXTURE OF RED AND YELLOW CHERRY TOMATOES FOR THIS SALAD.** One of her favourites for serving with cold roast lamb, beef or duck, it is based on a recipe from *Food For The Gravelly* by Nancy Shaw, published in 1938.

1 lb small tomatoes, skinned; ½ pt mayonnaise; ½ pt double cream, lightly whipped; 2-3 tablespoons grated horseradish; 1-2 tablespoons milk.

Refrigerate the skinned tomatoes until well chilled. To make the sauce, fold together the mayonnaise, whipped cream and horseradish, and chill lightly. At the last moment, thin the sauce with a drop of milk to achieve a spooning consistency, and pour it over the tomatoes.

**BROAD BEANS WITH ARTICHOKES BOTTOMS**

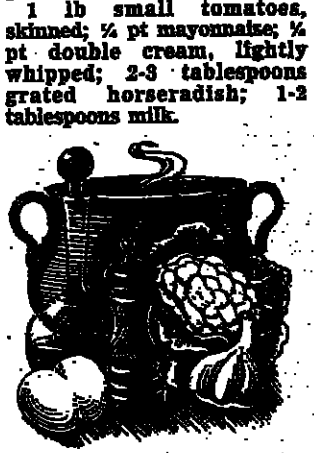
Boxer points out that this utterly delicious dish would probably have been served on its own, after the main course, in the 1830s, but it works well today as a first course.

1 lb shelled broad beans (allow 3 lb to 4 lb in their pods); 3 artichokes; 1 oz butter; ½ pt chicken, veal or vegetable stock; 1½ tablespoons chopped chervil (optional).

Cook the beans in salted water. Boil the whole artichokes separately for 40-45 minutes, then drain well. Discard the leaves and choke. Cut the artichoke bottoms into small dice.

Melt the butter in a pan. Add the vegetables. Cook for a moment or two then add the stock and seasoning. Cover and simmer for 10 minutes, shaking the pan from time to time. Do not stir or you will break up the beans. Turn into a serving dish, sprinkle with chervil when available, and serve as soon as possible.

"Limited supplies of genuine mutton, the meat of Shetland cross Wensleydale sheep, carefully hung for two weeks, are available from Heel Farm, Kings Nympton, Umberleigh, Devon EX37 9TB, this autumn. Whole and half lambs weigh approximately 10 lb and 5 lb respectively. For further information telephone Ann Wilson on 0769-574341.



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Saddle of British lamb, approx 6 lb; 3 tablespoons best olive oil; 1 tablespoon lemon juice; 6 branches of tarragon and 3 of chervil (optional); ½ pt lamb, beef, veal or chicken stock.

Virtually nothing needs to be done to this joint, except paying for it, before putting it into the oven. In spring and summer, when the lamb is young I rub a little virgin oil all over it, sprinkle over a few drops of lemon juice and some freshly ground black pepper, and lay branches of tarragon and chervil all over. In winter, when the lamb is older and fresh herbs hard to come by I merely rub it with oil, lemon and pepper.

Lay the joint on a roasting rack and cook for 1½-1¾ hours, whatever its weight, at 350°F/180°C, gas mark 4. It does not need basting since it is completely covered with its own fat.

When the time is up, move the joint on to a carving platter and cover it loosely with foil and a heavy cloth. Stand it in a

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James Morgan is Economics Correspondent of the BBC World Service.

## Goodbye Cheam, hello brave new world

**M**OVING house is a nightmare. Moving your company, in a retail trade such as the restaurant business and depend on loyal customers remembering your front door and telephone number, can be risky.

When you decide to move both home and business from Cheam, Surrey, to central London you must be passionate, desperate or both.

The Borgonzolo family, chef Vincenzo, wife and mistress d'Elaine and daughter Angela, who helps out on busy Saturday nights, have just completed the move. In mid-July they closed the Cheam restaurant which they had run for seven years and on Monday will open at 30 Connaught Street, London W2, swapping one flat above the restaurant for another. This time they are hoping for financial rewards as well as culinary plaudits.

That they have not achieved such rewards has been the result of circumstance, naivety and geography. Vincenzo came to London from Naples in 1966 to take up his first job as a barman in a Spaghetti House. In southern Italy, he says, 80 per cent of the men cook, although possibly not with the passion that he does. He spent the next seven years teaching himself how to cook better, convinced that this was where his future lay.

In 1964, with the help of his mother and sister who gave their house as security, he raised the money to convert 52 Upper Mulgrave Road into a restaurant. The family had seven tables to fill, a £23,000 loan to repay and the firm conviction that London was waiting for their food.

Sadly, it was not. In 1964 even central London was oblivious to the charms of true Italian cooking; Vincenzo began a year before Orso's whetted so many appetites in Covent Garden and long before the River Café in west London - and others - spread the gospel.

But the Borgonzolos were not in central London but on its most southern outskirts, where potential customers expected the far more conventional "British school of Italian cooking".

Vincenzo was not prepared to make any compromises and during the 1960s the family struggled. They suffered nights with no customers. It took four years to build turnover to £1,000 a week and to find a formula for the menu and the price that would allow Vincenzo to cook every dish to order and his customers to leave happy.

Looking over a recent menu this struggle is not such a surprise. There is no pasta in the first courses but there is risotto with saffron, parma ham and parmesan; rabbit pan fried with sun-dried tomatoes;

**Nicholas Lander on a restaurateur who moved lock, stock and barrels**

and an earthy fried potato cake with goose salami. There is no escape of *veal minestrone* in the main courses but monkfish cooked in silver foil with courgettes; loin of pork with three kinds of beans and truffle oil; and quails with an apple and chestnut sauce.

Among an eclectic range of desserts was an extraordinary dish of aubergines dipped in dark chocolate layered with almonds and mixed peel that was as exciting as the dates stuffed with marzipan, rolled in pistachio nuts and served with a plum sauce.

Very favourable reviews in 1986 and 1987 removed some financial pressure; they sensibly send every good review to their bank manager - and convinced them that location, rather than skill, was the biggest impediment to success.

At weekends they looked over Barnes, Wandsworth and up and down Fulham Road. On

weekdays Vincenzo went to the markets, where he did all the buying, and in the evening he cooked. In 1988 Angelo made his first offer on premises in Connaught Street which was rejected; a year later the agent called them to say that the other party had withdrawn and the property was available.

So the Borgonzolos are taking over 30 Connaught Street, which used to be the Prince of India restaurant, in a swap that will see the Prince of India reopening in Cheam. But it has not been an easy swap. A delay over the liquor licence set back the deal by three months, and Borgonzolo resignedly describes the last six months' negotiations as "like the Grand National - one bloody hurdle after another."

When I went to see the new restaurant in July it was full of dust and rubble. The Borgonzolos full of hope. They had just placed their first staff advertisement in the *Evening Standard*. Because he is so adamant that only a fellow Italian can understand and prepare the style of cooking he likes the advertisement appeared in Italian; because both he and his wife find the uninterested attitude of so many Italian waiters in this country so antipathetic they have added the words: "No peppergrinders please!"

But they also realise that after seven years' hard labour, principles are not enough, either for their customers or the bank manager. They are beginning to appreciate some of the new problems they will face and the new skills they will have to learn. In W2 they will face a more cosmopolitan, more appreciative but more demanding clientele; they have never employed any staff, other than a kitchen porter, and in Cheam they were open only for dinner with the whole day to prepare the evening service.

They hope that they will be allowed to find their feet gradually. They intend to start by opening the ground floor only, which will seat 20, to sort out many of the initial problems and then to open the basement which will seat a further 25. If they get this breathing space the Borgonzolos will realise their ambition of an excellent, family-run Italian restaurant - and one less than a mile away from Marble Arch.

At San Vincenzo, 30 Connaught Street, London W2, 071-262-9623. Two-course lunch £16, three-course dinner and coffee £28.



Vincenzo and Elaine Borgonzolo: on the move to higher things

## Appetisers

OVER the last week or two local newspapers all over France have been publishing the rates of pay agreed for this season's grape harvest.

A typical communiqué issued for the Aude and Hérault départements is revealing.

Those who cut grapes off the vine are paid £3.30 an hour, plus two litres of wine for every eight hours' work. Those who empty or carry the containers into which the grapes are cut are paid slightly more per hour plus three litres of wine every eight hours.

Wine lovers should be heartened that those at the sharp end should in theory at least be clearly-headed than those who merely fetch and carry but Claude Evlin, the French health minister, who has achieved warning notices on all wine advertisements

in France, must presumably be appalled by this generous payment in kind.

ANYONE interested in buying top-quality French cheese from Patricia Michelson's newly-formed La Fromagerie has two choices.

You can telephone on a Monday for a specific cheese and order a tray of cheeses which will be delivered, fully-decorated, to your door, or you can collect.

Walk past the family cycles to the garden where, next to the climbing frame, Michelson has converted a garden shed into a temperature-controlled cheese cellar.

The cheeses are delivered to her from a top French maître fromagerie every Wednesday morning and prices start at a £10 per tray. La

Fromagerie, 62, Talbot Road, London N6 4RA, 081-348-5519.

HOW COLD is your fridge and in what order are the items in it? (Raw food should be on the bottom, dairy products at the top.)

Sainsbury's has surveyed its customers' refrigerator habits and discovered two major areas of concern: temperature, which, for the main section of a domestic fridge, should be between 2°C (36°F) and -5°C (23°F), and the possibility of cross-contamination between uncooked meat and cooked products through the use of common utensils or surfaces.

Sainsbury's has produced a leaflet *Hints for Home Hygiene*, and is giving away at its checkouts 1m liquid crystal fridge thermometers.

## As they say in Europe/James Morgan

## Socialism and dustbins

round once their candidates have been knocked out; if there is no communist party they will, it is assumed, all vote National Front.

But there is more to socialism than preserving the communists as a monument to France's glorious revolutionary past. So Thomas Ferenczi produced a long piece in *Le Monde* entitled "After Marx, What?"

Michel Charzat had said that Socialism in France was at its last gasp. Charzat is the man charged by the party with the task of bringing its doctrine up to date. This provides Ferenczi's starting point for one of those impenetrable debates that persuade Anglo-Saxons that the French are much cleverer than they are. One thinker was quoted thus: "Socialism's basic materials have been borrowed from a form of determinism and a linear definition of history, deduced from natural science as it appeared at the beginning of the century."

The conclusion, if there is one, is that the intellectual saviour unfortunately could be an American political philosopher, John Rawls. He believes in a theory of political justice that

affirms legal equality, individual differences and equal opportunities. His main proposition is that any society has to justify itself to its least privileged members.

Once asked a leading light of the Labour shadow cabinet in Britain what he thought of John Rawls and he said he had never heard of him nor, he supposed, had any of his colleagues. This is may be what Alessandro Merli wrote in *Il Sole 24 Ore*: "Eleven years of Thatcherism left the British left with a certain vacuum of ideas, but also with an obsessional desire to return to government."

The lack of ideas, in any socialist sense, is also evident in Spain. There the government of Felipe Gonzalez seems just to have adopted Thatcherism and called it socialism. It was therefore rather surprising that *El País*, the Madrid daily, reprinted the whole of Thomas Ferenczi's *Le Monde* article without explanation. It was obviously thought to be just as significant in a wholly different political context.

In western Germany socialism ceased to exist decades ago but it

bequeathed any number of illegitimate offspring. So in the general round of sneering at the Left that events in the Soviet Union have occasioned, the *Süddeutsche Zeitung* had a go at the German peace movement arguing that its real target was always the US.

The end of the cold war would probably mean there would be few occasions for the street demonstrations. "The last great test was the Gulf War. The Peace Movement unfortunately demonstrated only its prejudices, and kept quiet about Saddam Hussein's rage against the Shias and Kurds. This embarrassing silence continues. No outcry of peace-loving Germans over the war in Yugoslavia. Slovenes, Croats and Serbs who live among us are abandoned as they desperately appeal for rationality. The conflict is complicated, the search for solutions extremely difficult, so keeping quiet is better..."

Curious events of the rather distant past are coming to light in the current

turmoil. Under the heading "Fifty Years On," a letter from Mr. E. Pavlov of Kiev appeared this week in *El País*. The story that emerged went as follows: On September 8, 1941 the Germans completed their encirclement of Leningrad. In the terrible winter that followed, certain groups were selected for evacuation, when possible. Among them were some Spanish orphans who had been sent to the Soviet Union when the civil war raged at home in 1936. They shared orphanage number 37 with Russians whose condition steadily deteriorated.

When the time came to be evacuated, the Spanish children cried: "We shall abandon no-one! We shall lift the sick children into the trucks." They thus saved 12 children, two of whom died during the evacuation and privations that followed.

The Russian children who survived owe their lives to the Spanish "wrote Pavlov. He is the president of the "Club of the Evacuated" in Leningrad evacuees are known as "Kiev. He records the shared experiences of the Spanish and Russian children and recalls many of the Spanish names. They, it seems, returned home many years later. The Club wants to hear from the Spaniards who are asked to communicate with them at the Arsenal Palace of Culture" in Kiev.

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## TRAVEL

# Splendid isolation of Tasmania's wilderness

Michael Woods comes to terms with eucalyptus forest, bush toilets, black swans and parrots, and feels very vulnerable

I HAD rained persistently in the night and an occasional drop of water still plummeted heavily on to the friable but bare woodland floor as I left my tent to go to the bush shower. But the view from the beach caused me to abandon all thoughts of ablutions and to skip back for my camera.

Immediately in front of the camp Forest Lagoon reflected, in needle-sharp perfection, the wooded landscape of Mount Ragby. I could almost touch the summit of the image from the glittering white quartz beach on which I was standing. The newly-dawned sun lit every detail of the lone mountain and the only breaks in its mirror image came from the wakes of three black swans cruising across the bay. What a contrast to my cold, cloud-heavy arrival on the previous afternoon.

The camp, run by Bob Geeves Wilderness Tours, lies deep in Tasmania's South West National Park, a wilderness area more than 1m acres in extent and without a single road. I had flown here straight from Britain - a comfortable 22-hour Qantas flight to Melbourne was followed by a flight to Hobart and on, by light aircraft, to the dirt strip at Moleculer. Bob Geeves met us there in his aluminium boat and we followed the tortuous channel to his camp totally concealed in the woods on the edge of Forest Lagoon.

The tents, pitched among the trees, have airbeds and down sleeping bags and the site boasts a good bush toilet as well as a shower. Tasmania's weather is unpredictable and frequently wet and so the rather grubby kitchen and dining areas and their fires are protected by waterproof fly sheets, their ceilings black with tar deposits, while the lingering woodsmoke quickly impregnates clothes with its smell.

Tasmania is said to resemble Scotland in more ways than just its changeable weather. The peaty soil and button grass moorland are very reminiscent of the Highlands although the occasional ground parrot, a green bird about the size of a thrush with a long tail, which sprang from my feet to fly a short distance before alighting again, told a different story.

In more open areas the peat was pocked with the mouse-sized holes of yabbies, small crayfish which spend the day underground, emerging at night to search for food. It was here that we found the paired red frocks of forked sundew and fairies aprons, the delicate purple flowers of the bladderwort.

Generally, though, the button grass was reinforced by dense woody plants, Tasmania's equivalent of heather but often thick deep and extremely tiring to walk through. Unlike the well-trodden uplands of Britain, there are rarely paths here for this is wild country. It was not until the day the outboard failed to start. The serious problem of a cross-threaded plug was too difficult to fix in the bush and Bob had to make a two-hour walk back to the air-



Tasmania is said to resemble Scotland in more ways than just its changeable weather

strip to seek help. If he did not return within six hours then we, too, were to walk out. Our isolation and vulnerability suddenly became very real.

It came as a surprise, then, on the following day to find we had no experienced leader for our walk up the 3,000 ft peak of Mount Ragby. Instead, with instructions to follow the path marked by cairns and tapes tied to bushes, Bob Geeves deposited

us by boat at the bottom with a promise to retrieve us at 4 pm.

My companion, a retired GP from Sydney and I set off at a steady pace, climbing beside a eucalyptus forest, now and then disturbing a parrot and watching, for a few magic moments, a pure white bird of prey, a goshawk, as it rode the thermals. It swung our way and, as it swept past I could see the goshawk's yellow hooked bill

and the glint of its eye. It seemed almost ethereal, like the spirit of a past explorer doomed to float effortlessly over the terrain.

From the saddle of the mountain the increasingly faint path led ever more steeply upwards until suddenly the slope eased and we emerged from the dense vegetation on to the summit.

From here the view, on this sunny day,

was simply magnificent - ranges of mountains like rows of dog's teeth merged into the distance while the Southern Ocean beat incessantly against cliffs in the opposite direction. Below us the only mark of man's hand, or rather his feet, was the faint white line of one of the long distance tracks in the national park. Walkers, dropped at one end, are collected several days later from the other by boat or aero-

plane. In between they have to be entirely self-reliant and, in spite of a variety of modern technical wheezes to reduce weight, their packs always looked enormous to me.

But our own troubles were about to begin. Although we located the tape at the start of the path down, the second one eluded us. It was like being lost in an enormous block of 7ft high privet hedge. It was dense, growing on a slope so steep that it was impossible to climb without using your hands. Scattered among it are boulders as big as trucks, each liberally studded with razor sharp quartz crystals. Underneath some were crevices and cavernous hollows. Up and down we struggled, finally emerging over an hour later, cut, scratched and with torn clothes, on to our path. It is the only time I have taken longer to come down a mountain than ascend it.

But the wilderness also has a kinder, more beautiful, face. On the morning of my departure, we set off on the early tide for the airstrip. The water was smooth and black and the hurrying boat shattered the reflected sky into shards and left the mountains shaking and shimmering in its wake.

To take 28 hours from Heathrow to Wilderness Tour's base camp may be fast but it is not to be recommended. Tasmania's capital, Hobart, makes a good stopping point. The city and its surroundings are rich with the remains of convict settlements of the last century and villages such as Richmond have been preserved almost intact.

At Brighton, just round the corner from Bridgewater, the Bonorong Wildlife Park enables you to see some of Australia's unique mammals and birds at close quarters while, in the summer, some 8,000 short tailed shearwaters, which nest on the cliff tops at Clifton Beach Coastal Reserve, can be watched as they return to their nests. They flap in at dusk like a crowd of hawking bats while human seals surf among the waves below until it is too dark to see.

Information: Michael Woods flew to Wilderness Tour's Camp with Peter Alvin, his passenger thoughtfully provided with headsets so the pilot can give information about the terrain over which they are flying. Wilderness Tours are based at Arve Road, Geveeston, Tasmania 7116. tel: 002-971-334.

Prospect House, Richmond, Tasmania 7025, tel: 002-622-807 and Wellington Lodge, 7 Scott Street, Hobart, tel: 002-510-614, both provide accommodation.

Bonorong Wildlife Park is at Briggs Road, Brighton. On Wednesday evenings in the nesting season (spring and early to mid-summer) Irene Skira, the Parks, Wildlife and Heritage Officer for the area, leads guided walks to see the shearwaters. Tel: 002-306-311 for further details.

## 'A cockroach ate my chips'

HAD WE known the temperature would reach 49°C (121°F), we might have been more than a little bit of a mess. On the other hand, there is something satisfyingly appropriate - even if masochistic - about tasting extremes in the Murchison Goldfield of Western Australia.

I was inspired by a George Haynes painting of a vermillion road entitled "Drawn to Magnet" - oh, yes. So we packed everything, including a very exotic Doberman, into my '72 Holden Kingswood, built, having neither air-conditioning nor shock absorbers, greatly enhanced the discomfort.

Heading north from Perth you soon leave behind things like traffic lights, yuppies, beer in glass bottles, McDonald's, and enlightened attitudes towards women.

It is not that outback towns lack modern trappings: Magnet has a video store, although admittedly no pharmacy, so you can get movies but not medicine. Nevertheless, the Murchison belongs to some indefinable past decade of hard living, unabashed chauvinism, and take-us-as-you-find-us ambivalence.

Here nobody grovels to tourists, but drivers wave because you are a friend on a lonely road.

Great Northern Highway remains true to its name in direction only. Above Wubin, the last wheat community, it narrows, so cars must pass half-off the road. From now on every pub is a must, being the last for a long way.

Big butters called the verandahs. The cool dark bar had one toothless customer. He related his sexual history to my companion as if he had known him forever, while I studied a handwritten list on the wall, of 34 reasons "Why Beer is Better Than Women", 23 of which were lewd. Number 19 was: "Beer don't demand equality."

Outside, in a north-easterly like the blast of a giant hairdryer, the man with no teeth said Wubin's official weather-recorder keeps the thermometer in her lounge. I wondered about her rub-nudge.

Devils spun across the marginal wheeliebin vacuuming topsoil. The rabbit-proof fence came and went. Trees became shrunken and grey, except for the garish green semi-desert kurrajongs with spherical crowns that look as if topiars prune them.

THE travel trade seems knocked out by its worst year. After the Gulf War, collapse of the International Leisure Group, and a 10 per cent fall in bookings this summer, leading tour operators might have been expected to take a low profile for next year, writes David Churchill.

Far from it with most of the major brochure launches for next summer completed the number in the past week or so has been at record levels.

This optimism has been borne out by early bookings. The top two travel agencies, Lunn Poly and Thomas Cook, both report early bookings for next summer up by at least

At Paynes Find I bought a postcard showing petrol pumps upon an expanse of red gravel, captioned: "A Vivid Memory of Paynes Find." I don't think it is meant ironically. You find neither subtlety nor manufactured prettiness here, and that is too its credit. The truly vivid memories are how warm were the people, how cold the beer.

What Tom Payne found at the turn of the century was gold of course. What you find today is an isolated roadhouse containing the typical roadhouse visitors' book - a myriad of snapshots of trucks. Rumour suggests owner-drivers value their prime-movers far above possessions such as wives.

In jars on a shelf were dead death adders and cockroaches the size of Mars bars. The barmaid said bigger ones inhabited the fridge. A truckie said a cockroach once carried off one of his chips. Barmaids and truckies are utterly convincing.

Julia Berney leaves behind traffic lights, yuppies and enlightened attitudes to women as she travels around Australia's outback towns

Winter brings zero temperatures and floods followed by August's floral eruption. But now the Murchison was in drought. The kangaroos were dying. In an often featureless landscape the only punctuation marks were burnt-out Holdens and Valentines wrecked in the mulga scrub. My car shut its eyes.

The horizon hiccupped into Mount Magnet, surrounded by truncated pyramids of mine tailings that go viridian, purple, pink, according to the time of day. We had a shower - which would not run cold - at the caravan site which was more a miners' shanty-town, with caravans in a circle like a wagon-train. Contract workers come and go, but some have stayed long enough to plant window-boxes with spinach and petunias.

Magnet's night-life beckoned. One iron-roofed hotel was holding a disco. Four coloured globes flashed in an empty room. The next pub's air-conditioning was on the blink. The third pub looked much seedier and more interesting.

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Winter brings zero temperatures and floods followed by August's floral eruption. But now the Murchison was in drought. The kangaroos were dying. In an often featureless landscape the only punctuation marks were burnt-out Holdens and Valentines wrecked in the mulga scrub. My car shut its eyes.

It was like a railway station lit by an emerald light. The list of attractions chalked up outside included "Beautiful Brenda" on Wednesdays. The pub was packed. There were no women except the Skimpies - barmaids in crop-tops and knickers. The windows were mended with sticky-tape; the ceiling was made of pressed biscuit tins. The air was blue and vibrant and, as a bonus, the police were attending a brawl.

With the minimum temperature 35°C sleep was hard. We camped in a white dust-bowl between orange rock outcrops. Here were some healthy kangaroos - big reds, and their greyer females called blue flers. But everywhere was hard - near the tent, a baby feral camel's skeleton, and a mummified roo boxing at the sky. It is the *déjà vu* of the desert.

North of Mount Magnet the highway crosses a dry salt lake where the

honours the Murchison pioneers: "With water-bag and pick they conquered an inhospitable desert and carved out happy and prosperous towns." Sad irony it seemed, in the silent bandstand, with sunset glow on the shut-down town.

Meekatharra, however, has the Wild West atmosphere that pervades many surviving gold towns. You expect shot handbills to fall from the wooden-railed balconies. But today's outlaws, according to one miner we met, are men running away from spousal maintenance obligations. Although he too had fled north from a vengeful wife, he was pleased the percentage of women in Meekatharra had increased slightly. He also praised the Meekie bides, traditional baddies, who at Christmas held an "orphans' party" for anybody who had nobody - which meant nearly everybody.

I shared my roadhouse shower with several frogs. You have to admire the resourcefulness and endurance of Murchison residents, animal and human. After just three days we were reduced to tipping Staminade to replace lost mineral salts and energy. The streets burnt the feet of our city-soft Doberman while Meekatharra mongrels swaggered by like canine gunfighters.

However much you drink your thirst remains rabid in this stupendous heat. Flies by the dozen drank from our eyes where they seemed to get intoxicated, for we could roll them away like currants.

Back at Mount Magnet it was the 14th consecutive day over 45°C. We spotted what looked like a raincloud in the west, decided to head for it, and ran straight into the final fling of Cyclone Daphne. It was like driving into a titanic car-wash. The blond hills of Geraldton were glad: "Sun City" had been dry for five months. Later I rang the Weather Bureau to find how far the dying Daphne spread her charity. Mount Magnet never got a drop.

Information: Meekatharra is 765 km north-east of Perth. Most towns on Great Northern Highway have hotel accommodation or very basic camp-sties. It is unwise to explore desert tracks, even in a 4WD vehicle, unless fully-equipped and possessing good knowledge of the country.

THE fashion edition of the Good Sking Guide published by the Consumers' Association, writes Arnold Wilson.

Editor Chris Gill, who bases much of the book on feedback from readers, says fewer British skiers go there and there was "no point in wasting seven pages of the book on Gstaad year after year."

The fashionable resort, not particularly well-known for the quality of its skiing, appears to be experiencing similar problems to its US counterpart, Aspen, Colorado, which is trying to persuade skiers that a holiday there does not have to be pricey.

GSTAAD, one of Europe's most glittering skiing shrines, has been dropped from the

offering free travel insurance for children.

Initial sales so far suggest that Greece is doing better than expected. But it remains early days in the package holiday market: the capacity on offer for next summer well exceeds the anticipated 7 per cent market growth. If so, then early bookers will not be alone in getting good - but not necessarily cheap - deals for next summer.

■■■■

GSTAAD, one of Europe's most glittering skiing shrines, has been dropped from the

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## PROPERTY

## A subtle change of tack

Although interest in pricier flats has largely evaporated, one development has been able to adapt its designs to an increasingly price-sensitive market, reports John Brennan



Carlton Gate in west London: scaled down to meet a changed market

NOT A single British bank could be found to join the line-up of funders for Carlton Gate, London, W9, three years ago when Declan Kelly set out to create the largest single residential development in west London since the 1930s.

As it turned out, their caution saved them from having to join the protracted negotiations between banking syndicates members when Declan Kelly's company later went into liquidation.

After Declan Kelly's collapse, bank syndicate leader Security Pacific Europe Finance and its funding partner Eagle Star did manage to hold together the £50m project finance facility raised for site purchase and initial building costs for proposed redevelopment of the former St Mary's Hospital site near the Regent's Canal on the edge of Maida Vale.

However, the 282-apartment first-phase that is now completed is subtly different from the one envisaged in 1988.

As construction work progressed, the flats were scaled down to meet a changed market. The first sales campaign in the Far East emphasised the lavish scale of the 2,000 sq ft penthouses, the integral residents' leisure centre and the planned artificial lakes turning the 10-acre site into an exclusive waterside campus. Launch prices averaged £250 a sq foot, and the initial sales programme produced encouraging numbers of advanced purchases off-plan. Three years on, and Stephen Gal-

pin, the sales director of Carlton Gate Development Company, talks of the scheme in terms of "value for money".

Seventy-five of the 282 flats have been sold and are now occupied. Purchasers have exchanged contracts on a further 50 units and 19 more are reserved.

Roughly half the sales and reservations date back to the pre-sale era. Now, as Stephen Galpin explains, "construction styles have been adapted to the market. Initially, the sales were all of much bigger apartments with prices in the £350,000, £400,000 range."

As the market turned and as buyers disappeared from sales agencies' lists, interest in these mid- and upper-priced flats largely evaporated. As in London Docklands, developers with large area flats found that they could sell the occasional smaller studio properties, but that an invisible price barrier formed at £200,000.

Carlton Gate was able to adapt designs to this increasingly price-sensitive, rather than space-conscious, demand because the scheme was not completed. Given the financial background to the development, the sales team was also able to take a more realistic approach to prices.

Asking prices in many completed but unsold developments across London have been held firm for no other reason than to give notional comfort to financing banks that the value of their loan security has not reduced. That helps to explain the number of projects where developers have become reluctant landlords, furnishing and temporarily rent-

ing apartments rather than accepting the writedown in capital values that would occur if they did reduce asking prices to current market levels.

At Carlton Gate, the concentration on smaller apartments and an across-the-board reduction in prices bringing average costs down to £210 a foot, is backed by buyers incentives that include a zero per cent mortgage loan facility for up to 90 per cent of an apartment's value for a year.

Most of the recent purchasers have been taking advantage of that offer, according to Galpin, but he confirms that cash buyers, or those arranging their own finance, can haggle over asking prices now ranging up from £28,500.

"We are willing to consider discounts, but we are taking a fairly hard line. We believe that the days of the big discounts are over. Sensible pricing is the name of the game now, and we believe that we have made prices competitive."

Current buyers are being offered free membership of the nearby tennis club as compensation for the temporary lack of the promised leisure centre. But Carlton Gate does intend to get that centre, complete with residents' pool, up and running shortly. As for the equivalent-sized second phase of the development, Galpin says: "I would not want to see construction on that underway until we have completed sales here."

Later this month Carlton Gate intends to adopt a sales strategy that is uncommon in Britain in that it will invite any established estate agency to act on its behalf for a pre-agreed three

per cent commission.

At the outset, Declan Kelly appointed Brian Lack & Partners and Hamptons as joint sales agents. Under the new regime Clintons are acting as overall marketing advisers to the development company. Brian Lack remains one of the contracted agencies, along with Harrods Estates, Foxtons Residential and Chestertons Residential. As an "open to all" arrangement, an unlimited number of agencies may soon add Carlton Gate to their instructions list.

"It is a departure for this country," says Galpin, "but my feeling is that on a development of this size it is logical to assume that no one agent can satisfy the demand for applicants, so why preclude any properly constituted agency that can help us?"

The 125-year leases offered with the apartments seem to have satisfied the current crop of buyers. But with management fees yet to be established and the Commonhold regulations on the immediate horizon, one evident benefit of buying now may well be an early right to buy in an effective freehold. However, it seems that the average London flat buyer has yet to show an avid interest in the Lord Chancellor's deliberations on property tenure. "It takes a long time for public perceptions of the new law to filter through," says Galpin. "No-one has raised the point yet. But we have been seeing a quite good change in the market as a whole in the past six weeks with a lot more people willing to come and view and to talk."

## How to find life in the market

John Brennan on a more accurate guide to home transfers

THE MISSING link in most discussions about the residential property market has been a common standard of measurement to show the trends in the volume of homes sales.

It is sales turnover, not prices, that really shows whether the market is alive or dead.

Now, thanks to a piece of statistical detective work in the Stamp Offices and District Land Registries, a substantially more accurate guide to the number of home transfers has been made available.

Until now the only generally

available figures for housing transactions have been based on reports of the number of new mortgages granted. Those figures exclude cash buyers and include remortgages. By adding the number of "particulars delivered" to Stamp Offices and Land Registry offices and stripping out commercial property deals, it is possible for government statisticians to produce figures for housing transfers nationally and regionally that are, normally, no more than a month out of date.

The main benefit of any such series of figures is to

identify trends. In this instance, the sales volume figures chart the rise and fall of the residential market with an accuracy that no average price indicators can match. Even in the least confident periods for home buying there are a million or more non-discretionary moves. People die, people divorce, families outgrow their homes, they move jobs, they decide that they can no longer stand their neighbours.

It is on the broad margins of the market, among the home owners and would-be home owners who may or may not decide to buy a house or

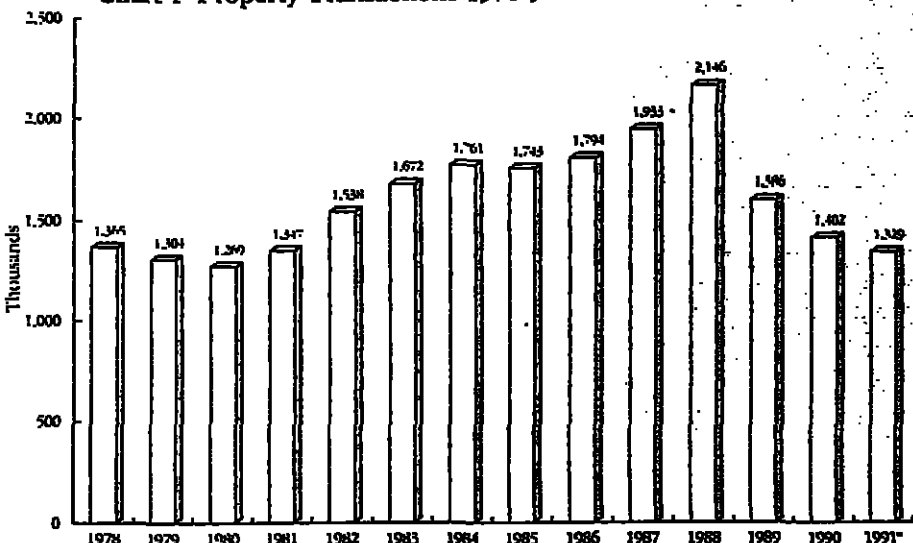
flat, that the pressure of demand has the most direct impact on values.

Throughout the 1980s sales volumes on the margin responded, as one might expect, with mortgage rate changes. Sales slowed in 1980, and especially in the third quarter of the year, as loan rates rose to 15 per cent. The subsequent house price upturn is marked in the steady rise in sales activity, with a dip in 1985 when rates increased temporarily.

The race to buy ahead of the withdrawal of double mortgage tax relief in the autumn of 1988 was followed

by an immediate dip in sales, from 583,000 to 505,000 in the third and fourth quarters of the year. The gradient of the charts is steadily downward after. However, first and second quarter sales transactions this year, running at 538,000 and 522,000 respectively, none too different from the totals recorded in the last two quarters of 1990. As the Council of Mortgage Lenders says: "The trough in the number of transactions now appears to have been reached with the property market 'bumping along the bottom' for the last four quarters."

Chart 1 Property Transactions 1978-91



Note: 1991 figure is first five months at an annual rate.

## LONDON PROPERTY

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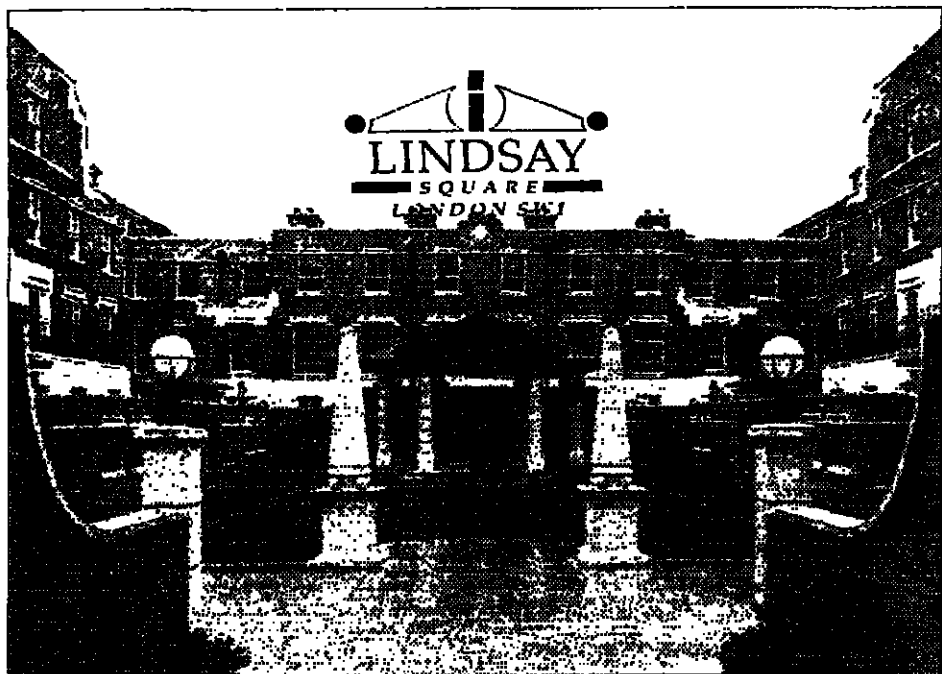
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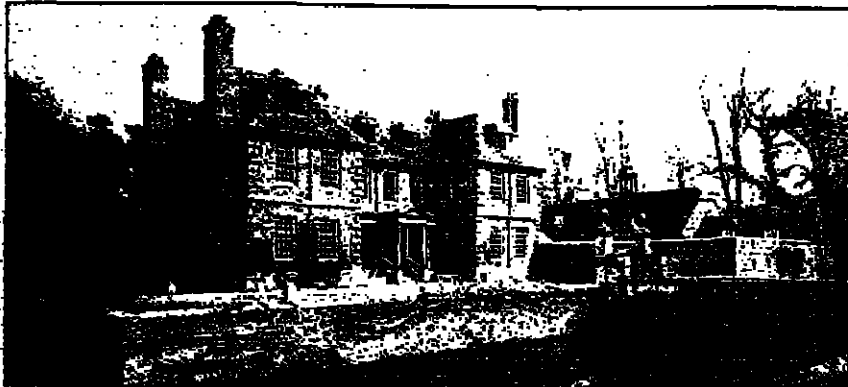
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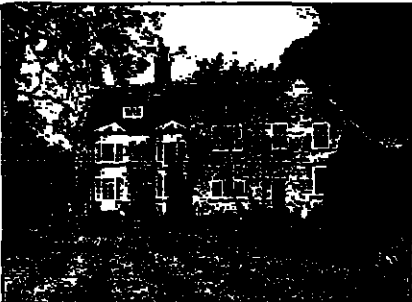
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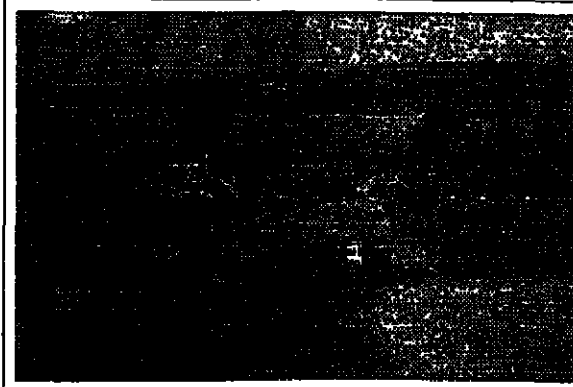
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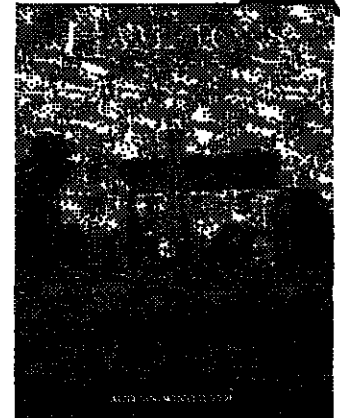
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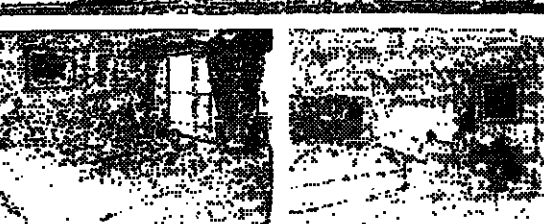
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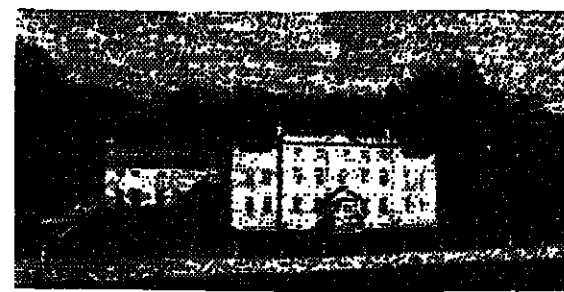
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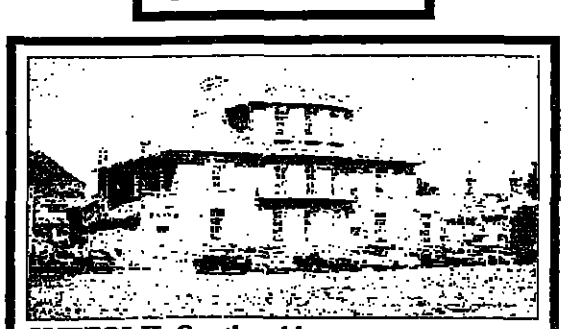
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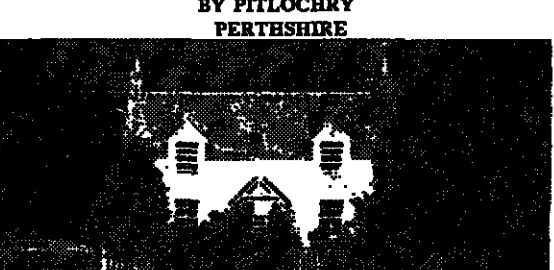
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## BOOKS

# A fine style of life

Malcolm Rutherford assesses the career of Roy Jenkins

**A** BALLIOL don't tell the young Roy Jenkins: "I am not sure how much you know, but you write it in a fine style, which I could not teach you, and which will be of more value to you than anything I could." And for all Jenkins's subsequent achievements, that judgment remains pertinent. He writes in a fine style.

His autobiography has all the virtues: wit, anecdote, variety, character sketches, gossip and some revelations. It also tells us in his own words why he did not become prime minister. He is a sort of R.A. Butler, a man who in the end did not quite have the will to push quite hard enough for the top. Jenkins was a late developer who did most of his

by and prevents it rising to its feet." Jenkins flew - when he did fly - by the seat of his pants. For all his relative successes, his spell as Chancellor was just as difficult as that of James Callaghan before him and Denis Healey some years after. It is striking, and honest, that when he comes to sum up his political life he does not regard his stewardship of the economy as one of his main achievements.

It was at the Home Office that he made his mark. Jenkins was a young radical home secretary who, in the mid-1960s, introduced liberalism to the Labour Party. It was under his aegis that the laws relating to abortion and homosexuality were reformed. As he notes, no subsequent government seriously sought to turn back the clock.

His disenchantment with Labour was partly personal - his relations with Harold Wilson were seldom good - and partly to do with Europe. Sometimes the two went together. When Wilson became lukewarm about British entry to the Community, Jenkins writes: "It was like watching someone being sold down the river into slavery, drifting away, depressed but unrepentant."

Jenkins, we now learn, was one of the few people who knew well in advance that Wilson did not want to remain Labour leader indefinitely, yet he admits that he drew the wrong conclusions. Instead of remaining on board to fight for the succession, he himself began to drift off.

It was the referendum on British membership in 1975 that drew him more closely into censuring political life. He campaigned for a "yes" vote alongside such people as Edward Heath and David Steel. The latter was to be a seminal relationship. Jenkins moved on to become President of the European Commission where he made a brilliantly timed speech that helped to lead to the formation of the European Monetary System. Much of the rest of the time in Brussels, however, was spent nurturing thoughts for political realignment at home.

Another quotation comes from his close friend, the late Anthony Crosland: "What you are pleased to regard as your rational processes seem to me to be just a series of intuitive lurches." Then there is Jenkins's own comment on his Oxford experience: he had "the best of both worlds: Balliol teaching and Trinity living." In many ways, that sums up his approach to life in general.

The main revelation in this book is about his time at the Treasury. He is widely regarded, not least by Margaret Thatcher, as one of the best of the post-war Chancellors. His autobiography shows that it was one long slide. He worked harder than ever before or since. Sterling was almost never out of danger. "Once a currency has been knocked down into the gutter almost any subsequent event is another vehicle which swishes

serious reading after Oxford and who realised that he might have become leader of the Labour Party only after the chances had largely slipped by. For all his intellectualism, he is also curiously uninterested in ideas.

A LIFE AT THE CENTRE  
by Roy Jenkins  
Macmillan £20, 658 pages

## Metaphors at High Noon

**I**RON JOHN is one of the stories collected by the Grimms brothers in the early nineteenth century in which an ancient "hairy and wild man" acts as a provocation and guide to a young boy, drawing him into adventures that bring him, after many vicissitudes, to a marriage feast with the Princess. At this point, the doors swing open and a baronial king enters and names himself as Iron John, once the Wild Man held under enchantment at the bottom of a lake, but now freed by the boy's achievement of his sovereignty.

Robert Bly structures his book on this story, following it closely as an image of long-lost but not quite forgotten rites of initiation, in which the events in the tale are symbolic of stages of growth.

There are, he says, three kinds of initiation: male, female and human. This one is male and that is why the subtitle is "A Book about Men." I wondered, heretically, if this story could not also be read as a human initiation, where the boy is everyone who is young and has to leave the protection of his parents to learn to risk and discover who and what to trust - a hero myth, in fact, valid for all - but, no, Bly insists, this boy is the young male who, in today's

particular phase of American culture, is in urgent need of rediscovering what he calls "the wild man within" in order to redress an imbalance of our time. Since the Industrial Revolution, children rarely work with their parents and so the chance for young men to receive instruction from the elder men is lost. What they lose, of course, are the rituals that separate the men from the boys.

Bly's book has had an extraordinary success in the US; it has sold in enormous numbers and American males have apparently been flocking to the forest amidst tales of drumming and tomahawks and group rituals. All this should be set aside if the discussion is to get past the very stereotypes it is exploring. For a British audience the book and the phenomenon are all too easy to parody, and at times difficult not to. The book is not heaped about with our familiar self-deprecating ironies, the elliptical qualification and reassuring obliqueness.

On the contrary, for Bly metaphor is irrepressibly High Noon. Just because of this lack of shadow, his metaphors look more literal than they are and, if they are misread as directions as to how to live, then the wit is lost, and so is

the point. The problem is one intrinsic to addressing any fairy tale outside fairyland: how to allow it simply to extend imaginative possibilities rather than to co-opt it as a manual for Real Life.

Give it a chance and Bly's unique blend of conversational intimacy and wide-ranging poetic reference may win you over. You may find you have mostly stopped objecting to his categories - wild man, soft man, savage man, inner warrior, cook, gardener, the sacred king and queen - and have begun trying them out. It could be that one of Bly's intentions is to invite us to think symbolically, as might be expected from one who is a poet himself and also the translator of Rilke, Lorca, Neruda and others - many of them scattered throughout the book.

The point is that the book offers a model of how to work with a fairy tale, in the tradition of the mythologist Marie-Louise von Franz, and also Jung, for whom fairy tales were "the anatomy of the psyche."

So who, then, is the Wild

Man who has been exiled from the contemporary psyche? "The Wild Man is the door to the wilderness in nature, but we could also say the Wild Man is nature itself." He belongs to the tradition of the Lord of the Animals, the hairy man (Enkidu in the Epic of Gilgamesh, Esau in the Bible), the Paleolithic Master of the Hunt who in agricultural myth reappears as Dionysos, the god of the vine. (He may also be found in the Green Man - that face wreathed in leaves carved in many a British choir stall.) In ourselves he is there when spontaneity is there - sudden impulses of the heart, resonance to nature, desire beyond law.

All of us, Bly says, are on a road from the Law to the Legends - from the rule-book of upbringing to that less definable place which Bly does not describe except to say that this road cannot be travelled without the Wild Man as guide. However, we note that the tale pursues the wild man's transformation into Iron John, so the final emphasis rests on the way to live this energy in the world, how to lift the spell and give it a name.

Back in the world, I once drove Robert Bly and a friend down to Bristol on a Friday night in early summer. It was a



Robert Bly: wild man within

small car and Bly was in a hurry - "You can overtake now" - as was everybody else who'd had to wait for an hour to get on to the M4. Far more dangerous than his warrior mode was the enchantment of his fairy tales and poems, recited with all the exhilaration of his public performances - the Scar Woman, for instance, who ate your scars at death, but if you didn't have any then she ate your eyeballs in the next world. I soon became convinced that I would deliver us all into the mouth of the Scar Woman forthwith if I listened to one more tale.

Just as well he wasn't drumming.

Jules Cashford

## Arabian nightmare

EXPATS  
by Christopher Dickey  
Fourth Estate £14.99, 240 pages

footsteps he found bedbugs, and shot on the wall, which was altogether too much for him and his wife. What price desert campaigning then?

The "expats" of his title have names like Hank and Jim and Ray, and are usually oilmen or sailors. Too old or too unskilled for a job at home, they express a low opinion of themselves, their work and the setting. Gerry Blackburn, captain of a ship, had a family in England and "the money of Arabia was too good to leave behind." It so happened that an Iranian Silkwoman hit his ship and killed him. Kim has cherries tattooed on her thighs, and she enjoys a birthday cake baked in the shape of male genitals. "It is

very easy to become an alcoholic here," says the typical English woman in a bar in Dubai. The Enterra Rebels are a football team of girls in the Gulf. "Shopping around for husbands, really. Ones with money." An old sheikh recalls what Western girls of this type used to do all night around his swimming pool, before AIDS stopped the party.

Wherever he goes, Dickey encounters more of these Funks and Kims. Up in the Jebel in Oman, he goes out with the Hash House Harriers, a drag band, to end the day drinking and singing bawdy songs. In Beirut, he and an armed Christian militiaman escort a colleague referred to as the Old Boy to a brothel. Even out in Sudan, covering famine, he manages to come up with Arthur who has a mistress among the starving.

In the background, Dickey's fellow-Americans now and

then loosed off missiles as though they had nothing better to do, shooting up Tripoli one day and the Gulf the next. He describes at length how Captain Rogers and his crew of the USS Vincennes shot down an Iranian Airbus, killing all on board, because they lacked the professionalism to recognise a civil aircraft.

Moslem fundamentalists blame the West with its materialism and hedonism for everything that is wrong with the Middle East. In reality, a complex and painful adjustment to modernity is under way throughout Arab and Iranian society. Dickey shows no more interest than any of his ghastly Expats in this very real process. The Middle East did not match any of his preconceptions, and he simply blames those closest at hand for what he neither likes nor understands. Perhaps that Iranian was resenting superiority of this kind when he spoke of the Beast.

David Pryce-Jones

## Fiction

## Lost girls revealed

**M**ARGARET Atwood handles the short story in *Wilderness Tips* with the same assurance that in *The Handmaid's Tale* and *Cat's Eye* she handled the novel. Both the latter were short-listed for the Booker Prize, in 1986 and 1989 respectively. It is time one of Atwood's novels won this prize. And, as is plain in this new collection, Atwood is equally a master of the short story.

To describe a woman as a master of anything is, I realise, an accolade obnoxious to feminists. It means, or used to mean, a man in authority or control. The point is of more than merely linguistic interest in respect of Atwood's work because the period covered by her stories in this book, the uneasy transitional decades of the 1960s, 1970s and 1980s, was the period when Canadian women broke free from having to fit into a terminology and a society in which mastery was for men and domesticity for women. No writer has observed what happened to women during those years with greater accuracy.

The stories give just as much insight into the contrast between then and now as do the novels, but they do it much more concisely. The lapses of time between past and present, girlhood and womanhood, are here abruptly revealed with little build-up. They are no less effective for that. The first story, one of the best and most complex, "True Trash" is a fine example. It is set in a boys' summer camp on an island 20 miles off-shore from Toronto. As well as the boys whose ages

range from 15 to 14 there are nine girls of similar private school background in the camp. They are being paid to be there as waitresses. The waitresses take off their uniforms to sunbathe and swim in an area forbidden to the boys. One enterprising boy - a future Canadian millionaire, we learn - hires out a pair of binoculars. The boys hide in the bushes with the glasses to observe the topless girls. Such rituals of adolescent summer vacation voyeur sex are charted minutely.

The girls read aloud to each other from *True Romance*. They laugh at the crude titillations. Some of them start to behave with the older boys, the

**WILDERNESS TIPS**  
by Margaret Atwood  
Bloomsbury £14.95, 247 pages

counsellors, rather like the girls in the magazine. One girl becomes pregnant and determines to have the baby. Eleven years on, some of the girls are now married to the counsellors. But the girl who had the baby has disappeared.

It is a lot subtler than that brief summary, but it will do to show how we have here a version of a typical Atwood heroine. She is a lost girl, and she appears in various guises in every one of the subsequent stories. In "Hairball" the nastiest - she is a woman magazine journalist stabbed in the back in spite of the brilliance of her page-design. In "Isis in Darkness" - the saddest - she is a wispy female café poet in a home-made dress. She turns out after her

untimely death to have had real talent. In "The Bog Man" - the cleverest - she is the research assistant and mistress of an archaeologist, she spectacularly busts up with him on site. In "Uncles" - the most knowing - she is an orphan turned outrageous TV personality who is ultimately hoist with her own petard. In "Wilderness Tips" - the most sordid - she is a Cinderella, now married to the local Prince Charming. The fellow sleeps with both of her sisters. In "Death by Landscape" - the most memorable - she is an elderly widow whose best friend suddenly disappeared for ever when they were girls. They had landed from their canoe on an island. One moment Lucy was there; the next - like Mary Rose - she was gone. In spite of marriage and two sons, Lois has still not got over it.

The long hot Canadian summers bred as many traumas as they do mosquito-bites in these emotionally damaged Atwood heroines. The lives they lead are brilliantly depicted, but the stories as a whole contain such a high proportion of losers and no-hopers that we end by wondering whether the dice is not, after all, being deliberately loaded. The opportunities for women to succeed and to become content in their chosen spheres are surely, even in Toronto, much greater than these stories would suggest. It would, though, be a mistake to see them merely as contributions to the feminist argument. Each one is a work of art.

Anthony Curtis

## Dilemma in a desert

**T**HE WORLDS of Colin Thubron's last two novels, *A Cruel Madness* and *Falling*, were tightly circumscribed - a mental hospital in the one, a travelling circus in the other. It was if their very claustrophobia, their obvious boundaries, had been invented to be an opposite pole to Thubron's travel writing - a chance to inhabit and to map out a territory in minutest detail rather than to visit and to describe a land, a society, that could not be entirely encompassed.

But in *Turning Back The Sun* Thubron, the traveller joined forces with Thubron the explorer of inner spaces; by creating a fictitious land, some plausible hybrid of Australia and southern Africa, he has retained total command of the topography, emotional as well as physical. It is a story in which the landscape and its inhabitants interpenetrate, in which the physical harshness of the surroundings condition and control all their behaviour and the limits of their desires. Rayner is a doctor, condemned by some unspecified totalitarianism to work in a remote outpost of his country, an enclave perched on the edge of a drought-stricken wilder-

ness. The population of the town - white, cosmopolitan, exiled - lives out the colonial nightmare, threatened by the "savages" who wander the surrounding desert. In their isolation the inhabitants desperately try to re-create the social life of the capital, making tawdry imitations of its sophistication and entertainments, while blaming the aboriginals for the night raids which are undermining their security and for spreading the disease that

**TURNING BACK THE SUN**  
by Colin Thubron  
Heinemann £13.99, 204 pages

marks them out like stigmata, disfiguring but not destroying. Surrounded by unthinking prejudice, it is a life that Rayner yearns to escape, to be accepted back in the capital in which he grew up and where the friends of his youth still live. And when the chance comes, he tries to do just that, abandoning his affair with Zoë, a dancer in the local cabaret, and setting out to recapture the past. Predictably, perhaps, that proves impossible; mentally and physically (for he discovers on himself the first

signs of the disease) he has been indelibly imprinted with the filthy town. As the drought begins to break Rayner goes back to the hinterland and its mysterious resonances of the savages, and to be reconciled with Zoë.

As always Thubron's prose has the power to fix a compelling image in a few words. The descriptions of Zoë, transformed totally on stage by the mask of make-up and the dancer's movements, recall the haunting portrait of Clara the doomed trapeze artist in *Falling*, defined entirely by her lightness and grace, while the desert with its forests of gum trees and cockatoos is painted with numinous intensity. But *Turning Back The Sun* lacks the cogency and limpid directness of its predecessors.

The themes, the public and the private, jostle uneasily; the layers of metaphor - Rayner as society's conscience and saviour, the disease as imperial disintegration - obscure the central thesis. "You can't go home again" is a commonplace enough starting point for a novel, and Rayner's own dilemma is never pinpointed with the subtlety and clarity that it truly deserves.

## Sense for the ridiculous

**M**AD ARISTOCRAT, greying civil servant; North Oxford, school sports day, the status quo both Ferdinand Mount and Michael Frayn have staked out this comfortable area of English satire as their territory. Yet both manage to distil out of it precisely individual visions and people - Frayn's idealistic confused, Mount's ruthless/vulnerable - whose divided sensibilities are kept aloft with the verve and assurance of old hands. Two novels, then, where everyday wit hints at irony, the surprise of fate, the intractability of character.

*Of Love and Asthma* opens on a school playing field with a gooseberry collection in the parents' race ("Are you alright?" said the headmaster, "Splendid, only we lost a father last year"), and rushes on to a simple but picaresque plot: the lifetime rivalry between two asthmatics, entrepreneur Joseph Dudgeon Follows and also-ran narrator Gus. Seduction, sedition, a rake's progress from aunt to ingenué cousin, from millionaire via bankrupt (to staged) kidnapping victim, it's a raucous mélange held comically together by the vengeful gloom of illness. A nursery rhyme cast - Pod Pease, Low Dudgeon, Fisha the professor's daughter, support: asthma, cancer, infertility, heart disease lurk like jokers in the pack, descending on hubris or high spirits, turning romance to farce, upper lip stiffening behind joy or sorrow.

Mount's sense for the ridiculous never flags, and nor does his biting perception: pallid Gus envying Joe's exuberance even in grief; young lovers unravelled into a scrabble playing crumples who "felt quite at home with the futurity." *Of Love and Asthma* sometimes sinks under erudite digression or fantasies about ancestral

homes and stately eccentricities, but at its best it follows in a fine English comic tradition. Whole chapters hang between the cruel detachment of *Decline and Fall* and the longing of *Brideshead*, Mount recalling Waugh in wit, shrewdness, mobility, most of all as a subtle moralist.

Comedy creeps up *A Landing on the Sun* like a bandwagon, transforming what starts out as a thriller into a small mas-

**OF LOVE AND ASTHMA**  
by Ferdinand Mount  
Heinemann £13.99, 321 pages

**A LANDING ON THE SUN**  
by Michael Frayn  
Viking £14.99, 249 pages

**THE SUMMER OF THE ROYAL VISIT**  
by Isabel Colegate  
Hamish Hamilton £14.99, 219 pages

terpiece of the absurd. Several people connected with defence projects have mysteriously died. Was Stephen Summerchild, the civil servant who in 1974 fell to his death from an Admiralty window, one of them? And what work linked him to the Russian philosophy don Dr Serafin?

As Jessel, a young Cabinet Office member, retraces Summerchild's steps 15 years on, the chill of state secrets gives way to "madness in the form of a minute" - not defence but a modest proposal on power cuts, washing machines and "the quality of life" - Frayn is inspired on 1970s catchwords - whose findings seem to have unhinged its entire working party. Stabbing here and there at government and university institutions, the plot twists through corridors of power into the confused perceptions

"behind our austere surnames and our net curtains" and the absurd, the parallel decline into lunacy of Summerchild and his investigator as both pursue their quests, the shaming grimmess of the denouement, all are beautifully done, the sense of unease, as well as the acute eye and ear of Frayn the dramatist, ever present. What is happiness? Frayn chisels away at passion, contentment, hope, knowledge, memory, in an original and, for him, unusually sober look for an answer.

From the way we live now to social panoramas past, Isabel Colegate's novel *The Shooting Party* was an exquisite picture of the Edwardian upper classes; in *The Summer of the Royal Visit* the same close-up historical lens focuses on the Victorian bourgeoisie in Bath. Two events concentrate the minds of liberal worthies Herbert and Rosalind, Charlotte and Harry, curate Stephen Collingwood and city surveyor Edwin Hanbury: the impending royal visit and the architectural competition for a new hotel. But the winning design is a sham - bribes, blackmail, exploitation or worse? - across the respectable surface of the city.

The deflection of the winner's wife, a slum fire, sacrifice and a séance all link up to a spicy tale with plenty of Victorian paraphernalia - from pamphlets to the deservingly poor - yet no ability to move. For despite Ms Colegate's polished writing and period allusions, the novel reads like a cross between a George Eliot pastiche and a Merchant Ivory script: a string of carefully observed scenes formed into an intelligent but utterly inauthentic construct.

Jackie Wullschlager

## Working for

*Newsweek*, Christopher Dickey knocked about the Middle East in the mid-1980's. Out of that experience, higgledy-piggledy, he has put together this travel book of sorts. It is well written, in a take-it-or-leave-it style. And telling too, but less for its material than for the unintentional insight it offers into the way an opinion-forming reporter looked at Westerners and Arabs. An Iranian diplomat to whom he once applied for a visa, said to him, "Time and *Newsweek*: they are the two eyes of the Beast." You do not have to be a Moslem fundamentalist to agree.

Like some others, Dickey had started out thinking of himself as a latterday T.E. Lawrence, in search of something much romanticised. In that mood, he interviewed Wilfred Thesiger, the last explorer, and was puzzled that conversation petered out when he questioned Thesiger about his sex life. Another famous old-timer whom he visited was Dame

Violet Dickson in Kuwait, but found her only a human anachronism in her time, her mind wandering. But still, that was the world he wanted, in which Arabs were Arabs as in story-books, and Westerners cut a proper dash.

When Neguib Mahfouz, the Egyptian writer, was awarded the Nobel Prize, Dickey wrote it up. Here at last was someone in the Middle East who could be liked and respected. Mahfouz had retained his integrity. Otherwise, for Dickey the Middle East was a place of uninterrupted nightmare, where Arabs and Westerners alike were sinking into "a cumulative sense of desperation."

The corruption and venality were hateful. Nothing worked. Smells and garbage everywhere. Lawrence himself used to stay in Baron's Hotel in Aleppo, but when Dickey at last trod there in the hero's



## ARTS

As the theatre season picks up after the summer, Alastair Macaulay finds out what is happening round the country

## Wit and farce in the provinces

**A**FTER A YEAR of refurbishment, Edinburgh's Lyceum Theatre has reopened a month too late for the Festival, but just in time to comment on an entire season of widely ranging repertoire. The most visible change is the large glass box added to the theatre's facade, handsomely quadrupling foyer space. Other improvements have transformed stage machinery and backstage areas. I am happy to say that the intimate, reshaped auditorium remains unchanged.

The only feature of the opening show that I can unreservedly recommend is the play itself, *An Ideal Husband*, but that is so good that it more than carries the

evening. *The Importance of Being Earnest* is generally hailed as Oscar Wilde's best play - it is the one work loved by those who won't bother with anything else by Wilde (except maybe his life story) but *An Ideal Husband*, while certainly very funny, has more scope, more breadth of spirit. It is in several ways the more remarkable feat.

Its subject matter includes serious political blackmail and scandal, and the importance of a marriage's capacity to accommodate personal sins and imperfections. It caricatures with Wilde's wit, but is also profoundly suffused with his morality. George Bernard Shaw (who did not greatly care for *The Importance*, finding it often

Gilbertian and dismayingly full of stock farce devices) found *An Ideal Husband* modern, original and delightful.

The play's most striking aspect is the way it zigzags between talk small and large. You can still hear it said that Wilde's humour here does not arise out of the play but is superimposed. Not so. The fact that some of the characters rattle away about nothing is discussed by other characters; and he most virtuous rattle, Lord Goring, proves to be the best philosopher of them all.

For Wilde, amusing small talk is the very stuff of high society. It is when people can no longer keep up humour, after all, that the social fabric is torn: a fabric which here is

marvellously subtle. Perhaps Wilde's most daring stroke (like Jane Austen in *Mansfield Park*) is that his main heroine, Lady Chiltern, has little wit, and his anti-heroine, Mrs Cheveley, has much.

Many things about the Lyceum staging are obviously wrong. Gregory Smith's designs might do well in another context, but not here. The sets are decorated in high-decadent *fin de siècle* style. A vast female nude stretches along the walls of the Chilterns' house (which is in Grosvenor Square) in which context it seems feeble of Sir Robert to offer to show Mrs Cheveley his Corsets. Most of the dresses and headpieces are 10, 20 or 50 years anachronistic.

With one exception, the Lyceum

cast shouts. The general manner is melodramatic and unspontaneous, even when serious. Lord Goring (a Lord Peter Wimsey type) is played by Christopher Goss as a somewhat hysterical parody of Wilde himself: very greenery-gallery and much given to pointing and mugging. His way of underlining his remarks was so emphatic that his heels often left twice during a sentence. As Lady Chiltern, who should be implacably noble and as firm as a Shavian heroine, Rosaleen Pelan is weak and dull. David Gwillim is bluff and plain as her husband: it is ludicrous to conceive him as a rising politician. I can, nonetheless, imagine them and some of their colleagues succeeding in other roles. Others were worse. Mrs

Still, the play delighted all of us present. Hugh Hodgson so directs things that the play's trickiest moment for modern audiences - the outdated view of male and female capacities taught by Lord Goring to Lady Chiltern - comes off as drollery.

And Ruth Gemmell played Lady Mabel Chiltern with bewitching grace. She knows how to delight in other people's lines more than her own; and yet she has the secret of finding herself amusing. She has all the role's decorum, sense and impishness; and she alone finds the music in Wilde's lines. She speaks too quietly, but does so with such assurance that she draws the audience into her spell. A beautiful impersonation.

## Feydeau in Day-Glo

**I**N THIS new staging at the Nottingham Playhouse of Feydeau's 1907 farce, *A Flea in her Ear*, the big shock arrives at once, with Simon Vincent's design. He and Rip Broughton, the director, have kept the play French but have updated it to the 1950s. Women hobble around hilariously in tight calf-length skirts and high heels and wear hats that are little more than one-line doodles in mid-air. The shock, however, lies not in this but in the colour scheme. Pastels jostle with Day-Glo hues. Dr Finche wears an aquamarine suit, a pink shirt, and gloves, bow-tie and pocket handkerchief of matching pale primrose. An African fertility statue stands, doubly erect, on a green triangular shelf.

Everything looks like the work of some witty modernist uncle of Christian Lacroix. In Feydeau, this works, wonderfully. We know we are watching a world where artifice is natural; where intrigue seems more apposite than moderation. Raymond Chandeblise fancies that her husband must be interested in some other woman; and out of this fancy (plus a few crazy circumstances) erupts the whole three-act delirium. Everything is quite absurd, and wickedly close to home. Broughton makes it tick and hum like a magic clock.

The best feature of all is the skill with which Broughton has welded her cast into a true ensemble. (The same team of



Peter O'Brien, Barbara Thorn, Kate Fitzgerald, Simon Roberts and Godfrey Jackman (foreground) in 'A Flea in her Ear'

actors will appear later this autumn in her *Macbeth* and her *Cherry Orchard*. Everyone here has the same rare understanding of caricature, and of comic-opera timing. The overall rhythm is generally so good that it shows you, I think, that it could be even tighter in the chaos of Act Two. There is just the right degree of serious bourgeois chic to distinguish Feydeau from suburban British sex comedy. John Mortimer's translation catches the Fey-

deau spirit with great skill, and with some great lines. ("Do you think I'll be made a fool of in front of myself?" "Men are all the same - ready for anything except responsibility.")

The tone is set by Kate Fitzgerald as Raymond and Barbara Thorn as Lucienne. The only thing that stops Fitzgerald from being the ideal mix is that she is not adorable. Her suspiciousness, her scheming, her agitation, are all perfect,

and very funny; and her voice is the epitome of petty bourgeois sophistication; but I still wanted to slap her the wrong way. There is not a weak link in the cast (though as Lucienne's infernally jealous husband Carlos, Jim Findley has the weakest conception of character). Simon Roberts does marvels as a cuckolded butler; the speed with which he flings himself to the floor to look under the sofa for his wife's paramour is breathtaking.

Best of all is Jasper Britton as Chandeblise's nephew Camille. We have all heard comic speech impediments before, but never have I found speech-impaired comedy of this calibre. You absolutely see why most of the other characters cannot understand a word he says; and yet you fully feel his exasperation and impatience. Camille becomes not only the funniest person on stage but also the most lovable.

## Middle-aged fantasy

**N**O ONE expects Ronnie Corbett to act; or to change in any way. In *The Seven Year Itch* he is what he has always been: a pair of spectacles; and a grin; and a wry chuckle; and a jocular performer of our vaudeville; and a confiding monologue from an armchair. He even gets to wear a cardigan.

In this staging by Lou Stein at the Palace Theatre, Watford, the play is set in London. Everyone else is carefully dressed by Terry Parsons in 1950s clothes and hairstyles; and the elaborate set is full of nice period details. But everything about little Ronnie looks and sounds just as it does on TV. His haircut, clothes, all look present-day. Everyone else is in a carefully-rehearsed *Seven Year Itch*; but he's doing *The Ronnie Corbett Show*.

Most people think of *The Seven Year Itch* as a movie; and in particular as one sequence. Marilyn Monroe stands on a New York subway grate, and the gust from a passing train sending her skirt billowing up past her waist. (No view of Marilyn was ever more classic: she just stands there joyously. Her hands hold the skirt down, but the air shoots it up all around her; and doesn't that say everything about her? It's an iconic image.)

But the 1955 movie was adapted by Billy Wilder and George Axelrod from the latter's play, which had been a Broadway hit. Onstage there is

no subway grate, and no gust. Everything occurs in Ronnie Corbett's (I mean Martin Sherman's) apartment.

Without Marilyn, *The Seven Year Itch* is a weary old farce about the fantasies of a middle-class middle-aged married man. You might think Corbett would fit right into this; but no. He is always ingratiating, never neurotic. He has no gift for panic. Whenever Sherman's fantasies dissolve into nightmares, all Corbett can do is what he always does - grin; chuckle; keep restarting his sentences; adjust his specs.

The Girl Upstairs is still American in this version; she's only come to London recently. Gwen Humble, who really is American, is rather like a young Diana Dors - busty, blonde, ambitious. That might be interesting, but most of the time she pretends that she was just dizzy and artless. She seemed soon to sense that this muddled little man had in his head, and I never once believed that she would spend time with him after that.

But, then, I couldn't begin to believe in this performance anyway. I found myself bating Sherman's silly adulterous fantasies; and when they briefly turned from fantasy to fact I found them sordid. That isn't the fault of the play. It's the fault of casting Corbett, who acts as if adultery should be handled by adjusting your specs; and restarting your sentences; and a chuckle; and a grin.

Mozart: Don Giovanni. Vienna Philharmonic Orchestra/Muti. EMI CDS 7 54255-2 (3 CDs). Parry: Symphony No 2; Symphonic Variations. London Philharmonic/Barnett. Chandos CHAN 8561.

Parry: Symphonies Nos 3 and 4. London Philharmonic/Barnett. Chandos CHAN 8596.

Puccini: Odes Volume 4. King's Consort/King. Hyperion CDA 66456 Schubert: Songs Volume 11. Fassbaender, Johnson. Hyperion CDA 33011.

## Records

## Mozart in the fast lane

Riccardo Muti. In essence these are Italian comic operas and the Italian Muti brings to them the bright sunshine and vivacity of spirit that one might rather associate with Rossini. His *Don Giovanni* is streamlined in sound and often breathless in pace. Giovanni, he tells us, lives life in the fast lane and the opera catches him in his last hours as he hurries towards its end.

Muti himself has made much of the Italian quality that he wants to bring to his Mozart in the opera-house. Words are the important element here. The singers have been taught to speak the recitatives with extra clarity and meaning, although that also seems to

have involved a lot of rolling of single "r"s, which I was taught is an improper feature in sung Italian.

With this in mind, it is ironic that none of the leading parts is actually taken by an Italian performer. English-speaking artists predominate and often the same ones as on other new recordings of the opera, as there are simply not enough singers to go round. A complicated shuffling of roles means that this set has ended up with two renowned Don Giovannis and Donna Annas in the cast, which is a somewhat uncomfortable luxury.

The title-role is assumed by the young and personable William Shimell, while the more aristocratic voice, finds himself as the servant Leporello, for which he has neither the right put-upon attitude nor the sense of humour. The two sopranos are Cheryl Studer and Carol Vaness, both formidable voices with strong American voices and bags of spirit. Studer gets Anna here, while Vaness plays Elvira. Between them they threaten to dominate the opera to the point where it almost deserves a subtitle, "The Tale of Two Women Scorned".

The supporting cast is adequate. Frank Laporta's Don Ottavio lacks interest and the mezzo Zerlina of Susanne Mentzer does not touch the heart as she should; but Jan-Eendrik Rootering makes a sonorous Commendatore. The recording is excellent, showing the skill with which the Vienna Philharmonic Orchestra plays for this conductor. The final scene, when Giovanni is dragged down to hell, is among the most exciting that I have heard. Muti is, after all, an Italian and he has opera in his blood.

After so much Mozart, there is an urge to get as far away as possible. The Victorian English symphony seemed a suitably long way off and something of a backwater, too. Chandos has embarked on a series of Parry's symphonies (several of them not heard on record before) and produced fine performances and recordings.

There is something quite bizarre about a composer going off to Bayreuth to attend the first performances of Parsifal and then coming back, enthralled, to write symphonies. But that is what Parry did and the works that he produced are easily good enough to be revived now. The Second Symphony offers romance unapologetically, and the Third an appealing lightness of touch. Only the Fourth strikes me as disappointing, as Parry was too aware of Brahms peering over his shoulder while he was writing it. Otherwise anybody who enjoys Elgar should make a note to investigate.

Meanwhile Hyperion is progressing nicely with two of its ambitious series. The fourth volume of the complete Puccini Odes has reached lesser known pieces, including one commissioned by a certain Mr. Maudslayi, a teacher, for his school. Even at humdrum duties like this Puccini's invention happily never deserted him and the disc includes such delights as a duet for two growing basses and a beautiful-as-birdsong solo about a sparrow, and a dove. *Ye tuneful muses* and *From hardy climes* complete the disc. The King's Consort offers rather laid-back performances.

The company's much-praised Schubert song series is further advanced and has now reached Volume 11. This brings us Brigitte Fassbaender, the first German singer to take part and so unbuttoned a performer that she sweeps aside any suggestion of excessively English decorum that may have lingered from earlier volumes. Each disc has a theme: this one is about death and yet every song on it paradoxically pulsates with life. Invigorating, and highly recommended.

Richard Fairman

## Radio

## Changes in the air

**F**OR THE next year after next Monday, September 16, Radio 4, on LW only, will offer the Daily Service with a reading from the Bible at 10.15 - Authorised Version for the Old Testament. Revised English Bible 1989 for the New. Sir John Gielgud will give 13 readings.

Also from Monday, Radio 4 will alter some schedules. No change until 10.00 am, when FM will offer entertainment programmes, while LW gives the Daily Service and the Bible reading. FM and LW rejoin at 10.30 for *Woman's Hour*, at 11.30, established favourites play until midday. The Afternoon Play enters its new slot at 2.00 pm until (more or less) 5.00 pm. Features and documentaries follow, with Prime Minister's Questions on Tuesday and Thursday (LW only) when Parliament is sitting. *Kaleidoscope* advances to 4.00-4.45 pm, an extra 15 minutes. A short story fills the next 15 minutes, a recompense for the lost *Morning Story*. Then as before, save for *In Touch* on Tuesday and *Does He Take Sugar?* on Thursday, now 9.00-9.30 pm.

Special programmes or extra news will be on LW while regular programmes continue on FM. Listeners are already complaining, on the familiar ground that they like it as it is. One wouldn't review *Hamlet* without seeing it first, so I shall make no comment for a bit.

The most pointed item in this last week before the "new season" fell on Radio 3 on Wednesday - *The Gang that Fell Apart*, a three-part assessment of the SDP by Anthony Howard, very apt to mark the Liberal conference and the publication of Lord Jenkins's and Dr Owen's autobiographies. The first part went back to the SDP's origins, to a dinner where Roy Jenkins discussed the idea with David Steele. Shirley Williams was

thought "a critical figure" but was not ready to take part; David Owen was "scornful". In 1981, Jenkins fought a by-election at Watlington and lost so narrowly that it was reckoned a victory. The first Social Democrat MP was Shirley Williams after her win at Crosby in November 1981; Jenkins was elected for Glasgow, Hillhead in March 1983. Anthony Howard's interest lies less in such events, however, than in the attitudes of the four (originally three) members of the eponymous Gang. All four were heard in the programme, with sundry relevant figures from all parties.

This first part ended at Falklands time; next week we shall observe the leadership competition between Jenkins and Owen, and the electoral disappointments of 1983.

In *Face the Facts* (Radio 4, Wednesday) John Waite investigates matters Bible to embark on a rather long and less than lively series of news-bulletins (it seems to have disappeared). This is the same sort of thing, just as awful. Parody isn't as easy as that.

on the drains and were refused, a refusal confirmed by Anne Widdicombe at the Ministry. She also confirmed the Council's report that other things were wrong besides drains. But ageing and homeless folk, folk like Ernie Foley, who tearfully insisted that the place was "home", will always find sympathy, and it is good that such questions can be publicly presented from both sides. The case will be raised in the House at the next Parliamentary session.

*The Harpoon* (Radio 4, Saturday), is a parody of the young people's magazines of 50 years ago that few listeners will genuinely recall. What goes on in the Light Entertainment department? Two weeks ago I wrote about *On the Hour*, the awful parody of news-bulletins (it seems to have disappeared). This is the same sort of thing, just as awful. Parody isn't as easy as that.

B.A. Young

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## JAPAN FESTIVAL

# Britain: briefly the land of the rising sun

The Japan Festival which opens in London next week is a remarkable exercise in cultural diplomacy. Patricia Morison outlines its scope

**N**EXT WEEK the great red sun of the Japan Festival rises over London.

Like a sumo wrestler, the Festival is nothing if not a generous spread. It really is nation-wide - it even includes Japan's World Cup rugby match against Zimbabwe, which is to be played in Belfast next month.

There will be calligraphy in Coleraine, kites at Llantwit Major and mounted archery this weekend in Hyde Park. Oshima's erotic masterpiece *At No Corrida* will play uncut in Cardiff. Three Japanese poets touring the country will persevere all the way up to the Highlands and Islands, where a concert series will pit Scottish pipers against traditional Japanese instruments.

Over the next five months it will be rather hard to avoid the Festival, unless you live well away from areas of heavy Japanese investment. Devon and Cornwall, for example, are not well served with venues although there is always the media coverage. Radio 3's Japan season looks impressive, with talks, plays and documentaries which will examine some cultural topics which do not fit so easily into a festival framework - literature, for example, and the place women occupy within Japanese society. *FT* critics will be giving their reactions throughout.

The Japan Festival ranks as one of the most ambitious attempts ever to introduce (peaceably, that is) one culture to the cultural traditions of another. The British and Japanese governments have contributed quite significantly to the Festival, but its budget of about £20m comes overwhelmingly from the hundreds of business sponsors. But how easy is it to speed up the process of cultural osmosis? What, in the end, will result from the fantastic expenditure of time and effort which has gone into planning the Festival?

The ideals of the Festival are clear enough. It is meant to make Japan and the Japanese seem less mysterious, to rub away at widely prevalent stereotypes and at the considerable British indifference to things Japanese.

"Behind the dedicated fac-

tory workers and salary-men lies an amazingly rich and energetic culture of which we have until now only caught occasional glimpses," writes Sir Peter Parker, chairman of the Festival Committee.

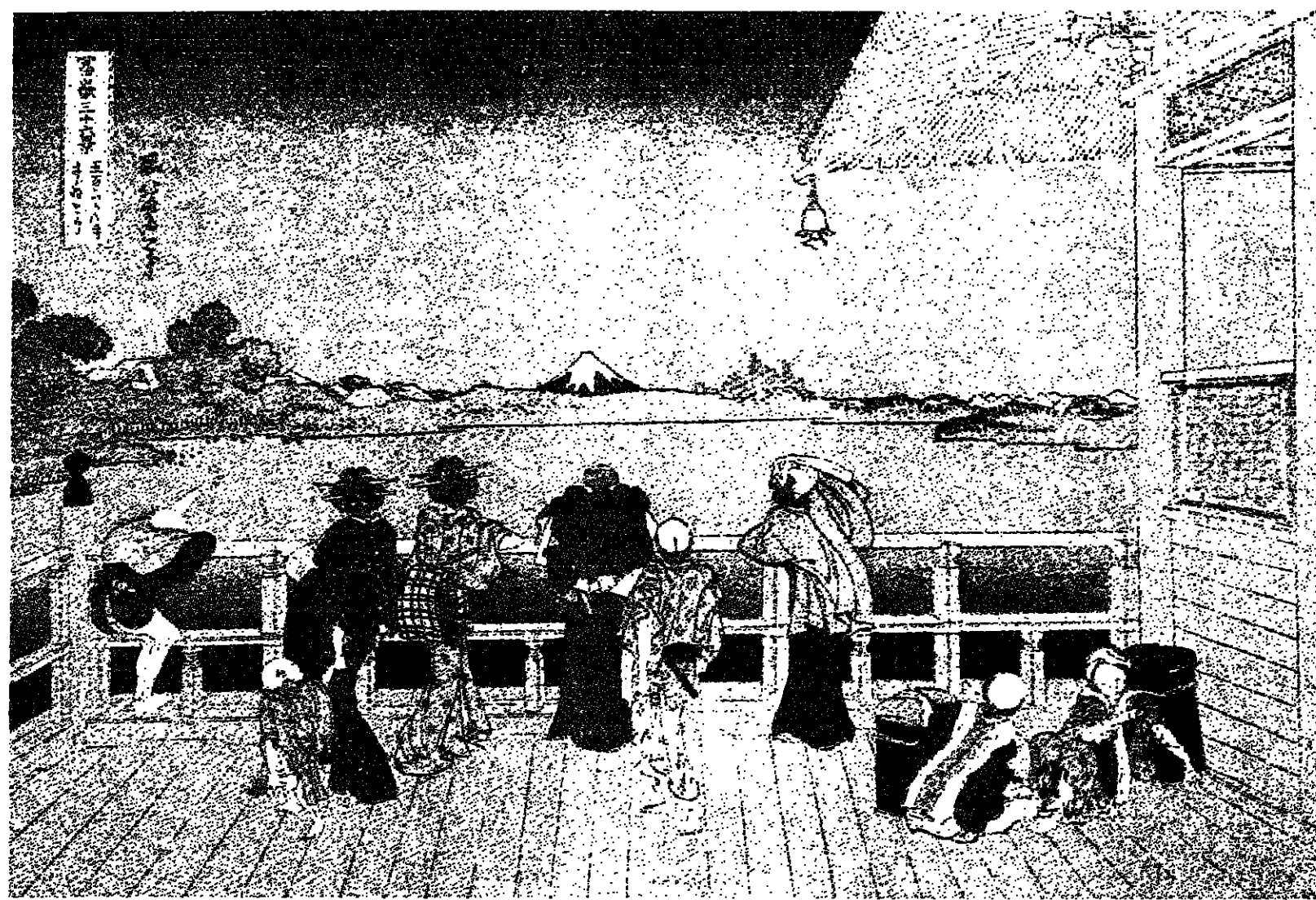
Japan's economic influence in the UK has not been matched by a corresponding increase in understanding of Japanese culture. The reasons are obvious, although distance perhaps matters more than the language barrier. One night spent in Tokyo is enough to show it has the potential to be to young people in the 1980s what London was in the 1950s - except, that is, for the cost of getting there. Quite simply, the Festival is meant to educate all of us, young and not-so-young, high-brow and low-brow.

Whatever part idealism has played in the calculations of the Festival's many sponsors, they have also been drawn to join in the jamboree by more immediate and tangible rewards - corporate hospitality, shared prestige, and the like. Cultural auditing will be left to the historians.

It may be that the Japan Festival 1991 will indeed mark a significant moment in Anglo-Japanese understanding. The Barbican Art Gallery's exhibition *Japan and Britain: An Aesthetic Dialogue 1850-1930* will recall the Great Exhibitions of the last century, when Japanese governments shipped over selected aspects of Japanese culture to delight the British public. Things Japanese were perceived as novel and colourfully exotic, and they had a strong influence - not least in giving us the baneful legacy of *The Mikado*.

And that kind of uncomplicated borrowing has continued; look at the invasion of Japanese cherry-trees into the English garden. However, one great complicating factor has been Japan's cultural invasion by America. For over a century, Japanese intellectuals have been chewing over what "Japanese" culture means, in the face of influence from outside which grows ever stronger. (Japanese mothers commonly deplore their children's refusal to eat traditional cooking.) Have the Festival selectors chosen well?

Not all the pundits think



A view of Japan: "Looking at Mount Fuji", a print by Hokusai from the exhibition at the Royal Academy

they have, as I found on a recent - and, it should be said, my first - visit to Japan. Some were saying the selection was too heavily weighted towards traditional arts, and that there is still too much playing to Mikadoesque stereotypes. Some say there is too much bias towards Tokyo.

In the performing arts, there is criticism of run-of-the-mill offerings and "names" which in the best circles are regarded as curling a little at the edges. Sponsors have been relatively reluctant to contribute to the contemporary visual arts pro-

gramme, which is said to be correspondingly unambitious, with no more than a dozen or so contemporary artists' work being represented at the Tate Gallery in Liverpool (coming to the Whitechapel) and exhibitions in Durham, Belfast, and Newcastle. Architecture makes a poor showing.

But these look like quibbles when they are set beside ignorance of Japanese high culture in western culture. Name one famous living Japanese artist. One famous monument. One work of art, apart from Hokusai's *Great Wave*. Those are the

kind of simple questions which, at one level, the Japan Festival should leave us well prepared to answer. As Festival director David Barrie emphasises, it is keenly appreciated in Japan if anyone doing business there expresses curiosity and a willingness to sample the host culture.

For anyone already well up on contemporary Japan, the test will be how well the Festival conveys the complexities of this island culture which, since it opened up to the outside world in the 1960s, has looked so fixedly towards the west.

Not all the incongruities of Japanese cultural life are immediately obvious. For example, we take it for granted that places such as the British Museum and the Victoria and Albert Museum, exist and will stage superb, scholarly loan exhibitions. But Japan has yet to catch on to museum culture.

Many a visitor to Tokyo has been astonished to find that the National Museum is such a dull and horribly displayed *oulette* of a place. The BM's exhibition of *Kamakura* will allow us to appreciate these masterpieces by Unkei, Kaikei

and Tankai, with their crystal eyes and straining muscles, far more easily than the Japanese can at home.

The gods and goddesses of Japan's religions, past and present, are also evoked at the flagship exhibition, *Visions of Japan* at the Victoria and Albert Museum. This show, above all, is the one which has to work hardest. It is meant to convey the incessant, yet endlessly fruitful, friction as east meets west and tradition confronts modernity. Even the briefest contact with Japan brings that home. For me, it

was the sight of young priests, waiting for evening prayers in the dark hall of a Kyoto temple. A thousand life-sized statues of the goddess Kannon looked on as they practised imaginary golf-swinging.

VOJ, as it is known, also has to display the kind of high-tech, electronic bravura to knock the most blasé young visitor out of his or her socks. It has been overseen - not without controversy - by Arata Isozaki, one of the world's most interesting architects and a prominent figure in avant-garde circles. So the omens are good for Voj achieving the near-impossible.

Still, the question remains, what happens at the end of it all, when the *Kamakura* and the *Kies* have gone? There has to be an after-life, if the Festival's ideals are not to look something of a sham. The Japan Society, whose centenary the Festival, in its dim and distant origins, is celebrating, is in essence a learned society. It has a library, but only a tiny staff, and nothing further than the keen student might expect; no videos, no language courses, no cinema.

The Japanese government ought to take a good look at the work done by the German government's cultural export wing, the Goethe Institute, or the British Council. And then it needs to create something many times as splendid. For the moment, schoolchildren are going to be better served than their elders. The Festival has found a strong response from schools and, as Chris Everett, director general of the Daiwa Anglo-Japan Foundation points out, it is part of a continuing programme to create educational links between the two countries.

All festivals have a way of folding their tents and stealing away. But it would be a pity if the only thing of permanence to result from all this is two gardens, in Holland Park and Belfast. But maybe on the last day the announcement will be made that a palace, or some sort of splendid Isozaki-designed shrine to Japanese culture, will be ours. What better sign could there be that the Japanese are here to stay? ■ Festival Guide price £2.50 on sale widely or ring 071-413-3310, 24 hours.

## Japan and Britain

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BARBICAN ART GALLERY

## From sumo to sculpture

**T**HE JAPAN Festival, by far the largest cultural event ever held in the UK, had modest origins. Martin Campbell-White, managing director of Harold Holt, had successfully organised a German arts festival in the UK. He wanted to repeat the experience if made a change from running a musical agency and did business no harm.

He homed in on Japan, a natural choice given the growth of Japanese investment in the UK and the rich, varied and, to western eyes, strange cultural traditions of that country. He approached Sir Hugh Cortazzi, a former British Ambassador in Tokyo, who gave full support - and suggested a date. Why not use the centenary of the Japan Society in 1991 as the basis for the celebrations? The project was launched.

It would never have grown to its present size, with more than 200 events nationwide financed by £20m of mainly business sponsorship, £15m of it from Japan, without the energy and enthusiasm of Sir Peter Parker who was invited in 1987 to become chairman. He insisted on a national, rather than a London jamboree and got the project rolling. At the same time Shōichi Saba, a former head of Toshiba, and Kazuo Chiba, a former Japanese Ambassador in the UK, started to put weight behind the project in Japan. By the summer of 1989 a Festival costed at around £10m was taking shape based around half a dozen major projects.

Then the current Japanese ambassador in London, Hiroshi Kitamura, got into the act. Now there is scarcely a Japanese company with UK involvement which has not made some donation to the communal war chest. Many have wanted to sponsor their own event and the Festival has assumed a size and importance far beyond the expectations of the original protagonists.

Everyone involved is keen to stress that while most of the funding is from Japan, the idea came from the UK, and that this is not an example of Japanese empire building. The Festival is cultural - in the widest sense of the word - and educational. Its aim is to change misconceptions about Japan in the UK, to help British people interpret the country more accurately, to discover what makes it tick. If there is any money remaining by the January conclusion, it

will probably be invested in educational projects aimed to improve mutual understanding between the two nations.

From the start half a dozen key events were selected as essential and they have emerged as the flagships of the Festival. There is no one major artistic exhibition showing the celebrated arts of Japan - lacquer work, screens, prints, etc which are already famous in the West: the approach is eclectic. For example, the Japanese were more intent to display Mingel, folkcrafts, which are not so well known in the West, than traditional art.

By far the most expensive show is *Visions of Japan* at the Victoria & Albert Museum. This has been designed by Arata Isozaki, perhaps Japan's best known architect and the designer of the Olympic Stadium at Barcelona. He has taken a favourite Japanese idea, that life is a game, and recruited three more architects to give their interpretations of this theme in Japan past, present and future in three huge rooms. The exhibition has cost around £4m to mount, much of the cost represented gifts in kind. The V&A has speeded the creation of an extensive exhibition space to find a home for this, its largest show in decades.

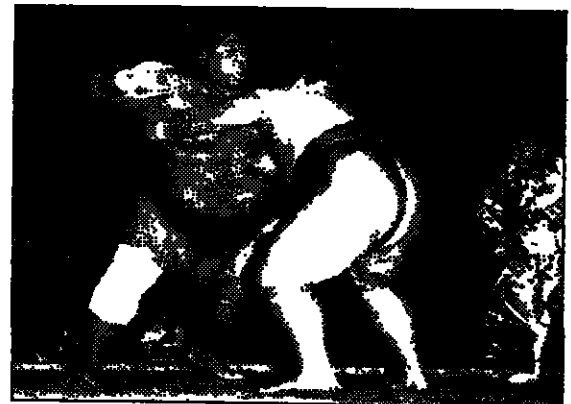
Other events planned from the start include sumo wrestling at the Albert Hall, robotics at the Science Museum, and the *Kamakura* sculptures of the 13th century at the British Museum. There are only two important disappointments - a large enough venue could not be found in time for Takarazuka, the all-women musical theatre company, and no sponsor came forward to pay for an exhibition of Manga, the Japanese comic strip which can be erotic in content.

There is something slightly amorphous about the Japan Festival. It has no central venue or event. Some activities under its banner have already opened but, because it is sprouting all over the UK there will be few who cannot share some of the experience, and its diversity - from archery and fireworks in London's Hyde Park to puppets in Belfast, northern Ireland; the Tokyo Symphony Orchestra in Swansea, west Wales; and kite flying in Glasgow, Scotland - ensures that the Festival cannot be accused of elitist centralism.

Antony Thorncroft

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JAPAN FESTIVAL

# Where to go, what to see

FT critics select the highlights of five months of dance, drama, music, kabuki, bunraku — and more

## The big event

THE costliest, most popular event in the Japan Festival is undoubtedly *Visions of Japan* at the Victoria & Albert Museum from September 17. It has cost the most to mount — around £4m, contributed by hundreds of Japanese companies, much of it through goods in kind. It celebrates the V&A's re-emergence as a venue for major exhibitions and involved the creation of a new display area out of unexploited storage space. It is also the most ambitious in its horizons — visions of Japan, past, present and future.

The guiding supranote is the architect Arata Isozaki (who is responsible for the Olympic Stadium in Barcelona) who took the concept of the game, an important idea in Japanese culture, as his theme. The first room, the past, is quiet and subdued, its open spaces interrupted by a replica of a 17th tea house and a hearth which bridges the gap between the ancient burial cart and the modern auto.

The second room confronts the visitor with the full gamut of down-town Tokyo — karaoke parlour,

Tale of Genji. Can you get more epic than the game of *kumiko*, using a lacquer incense box from which the players would mix different fragrances to illustrate a poem or story? The exhibition comes from the Tokyo Fuji Art Museum, one of the country's private collections. Nihonga, Traditional Japanese Painting 1900-1940, at the British Museum (December 18 to March 1), promises to be highly controversial. In the early part of this century, many Japanese artists went to Paris and became, after a fashion, Impressionists — if they managed not to develop TB. If they stayed at home, they trained in the revivalist tradition of Nihonga, which means "Japanese painting". The examples of Nihonga I saw in Tokyo were large and faintly repellent images of exquisite ladies in kimono playing grand pianos or vaccinating each other. I am keenly looking forward to the second instalment.

Hokusai, at the Royal Academy of Arts (November 15 to February 9) is the first large-scale exhibition for 40 years of this prodigiously talented and, in his sketches, often comic artist. The Barbican Art Gallery's Japan and Britain: An Aesthetic Dialogue (October 17 to January 12) will illustrate the old story of "japonisme" in Victorian and Edwardian Britain, with the work of artists such as Whistler, Beardsley, and Mackintosh, as well as looking at the unfamiliar other side of the exchange.

Patricia Morrison

## Contemporary art

A PROPER view of contemporary art from Japan appears conspicuous for its absence in this festival. In a way this is inevitable, perhaps desirable, for the question of how the contemporary painter or sculptor in Japan addresses himself to the currency of international modernism is so broad and unresolved as to be impossible of summary. In such a festival as this, that celebrates a great cultural tradition, the artist who wishes to be true to his own experience of the modern world and to his understanding of what modern art might be, without yet denying the culture by which his experience has

Antony Thornicroft

## Visual arts

KAMAKURA: The Renaissance of Japanese Sculpture (1185-1333), at the British Museum from Sept 18 to Nov 24, will be something strange and, I suspect, quite wonderful. This is temple art, and yet it does not require any prior knowledge of the Buddhist pantheon to respond to these powerful sculptures. The deities can be serenely beautiful or exceedingly enraged. Kamakura period sculptures also made images full of humanity and even pathos. In many cases the sculptures are life-size or larger, and exceptionally fragile because they were made out of thin wooden sections, gilded and lacquered.

Japanese art and history effectively starts here: there is nothing much earlier to be seen in the Festival apart from some of the objects in Behind Golden Screens, at the Royal Museum of Scotland in Edinburgh (until October 20). This is not a show which will travel unfortunately, since the exquisite refinement of these screens and lacquerware, armour and paintings, satisfies everyone's idea of classic Japanese art. Here are the cityscapes and gold leaf, the animated scenes from the never-ending

been determined, must stand aside.

It is better to take the Japanese artist as and when he comes, taking the work for what it is rather for what trend or influence it might represent. Happily the private, extra-festival sector offers just that opportunity with the work of Katsura Funakoshi on show at Annelly-Juda (23 Dering Street, London W1) from September 18 until October 12. His carved, painted wooden sculptures are clearly portraits, yet they have the ambiguous simplicity and detachment of true monuments, as from a Roman or Egyptian tomb.

If it must be a group show, best keep it small. "Your Bag of Tricks" holds the work of eight artists staged in the post-modernist culture of the Japanese city. It opens in the

Liverpool Tate on October 16 and transfers to the Whitechapel Gallery, London, on December 13.

William Packer

## Visual drama

KABUKI AND bunraku, here is the chance to sample two forms of Japanese popular theatre which date back to the late 16th and 17th centuries. Bunraku is theatre with 4ft high puppets which take 30 years to learn to manipulate to degree level. Three puppeteers work to operate each puppet. Dialogue is in Japanese, and Japanese audiences are said to be moved to tears frequently by the pathos of it all.

Kabuki is rather fun. It is a sort of pantomime, with fabulous costumes, female impersonators who play all the female roles, and spectacular stage-effects for battles, spooky graveyards, etc. It can also include scenes of dreadful horror and sentimentality. However, British audiences are getting a boiled-down version of Grand Kabuki, performed by the Shochiku Theatre Company. In Japan, performances last around five hours which is a pretty alarming prospect for a first-timer. So sampling kabuki and bunraku here is the soft option, with performances which are only two hours long.

Kabuki dialogue is also in Japanese, but of such an archaic nature that I am told native audiences do not understand it either. Here, simultaneous English commentary will be provided through headphones, which works well at the Tokyo theatre. Do I recommend Kabuki? Yes, if only as a once-off experience which brings to life the actor-portraits and scenes beloved of the Ukiyoe print-makers.

Patricia Morrison

## Music/Classical

THE TRULY excellent Saito Kinen Orchestra playing Brahms symphonies under Seiji Ozawa to open the Festival at the Royal Festival Hall (September 16) may well confirm the thoroughness and technical standards of training in a country that boasts a phenomenal rate of musical consumption, but it is unlikely to reveal a great deal about Japanese musical culture. Music in the Japan Festival seems to have been conceived with its sights fixed firmly on what can be packaged for easy consumption by mainstream British audiences, rather than on providing genuine insights into a whole range of music that remains scarcely known in the West.

Though both Saito Kinen and the Tokyo Symphony Orchestra, which tours throughout the country during October with its director Kazuyoshi Akiyama, include token Japanese works, they are all by composers who work within the Western tradition. Even when they integrate classical Japanese instruments like the *Sho* with a symphony orchestra, as in Toshichiyang's commission for the Tokyo SO tour, the result is usually an uneasy compromise, a cultural clash of meaningless consequence.

Yet Toru Takemitsu is a composer of genuine international stature, and the "Takemitsu Signature", the Barbican's weekend celebration (October 10-13) under the larger Japan umbrella offers some attractive looking programmes, placing his music in the context of those Western composers who have influenced him most profoundly. Those concerts, and Capricorn's brave little survey of less familiar figures in the Purcell Room (September 30) promise to be the most rewarding events; but where is the survey of folk music, the kabuki and the gagaku?

Andrew Clements

## Music/Jazz, Pop

GIVEN Japan's prodigious consumption of Western contemporary music, it is unusual to see the tide reversed, albeit briefly. Fair enough, there are few Japanese jazz or rock musicians who have made an impression internationally. Techno-composer Ryuichi Sakamoto certainly has, with film scores (*Merry Christmas Mr Lawrence*, *The Last Emperor*) and in "rock" (first with the Yellow Magic Orchestra, then Japan with David Sylvian). He has been commissioned by the Barcelona Olympic committee to compose a theme for the



director Yukio Ninagawa, whose *Macbeth* and *Madama Butterfly* made such an impact in the past. London, has had mixed success with a brave piece of cross-cultural collaboration.

Peter Barnes' adaptation of Kunio Shimizu's play, *Tango at the End of Winter*, is magnificently set by Setsu Asakura in a dilapidated cinema, and has an English cast, which is headed by Alan Rickman and Suzanne Bertish.

A tight programme of work at London's Mermaid Theatre shows how the Japanese have taken Shakespeare to heart, with a Kabuki-style *Hamlet*, a Bunraku *Tempest*, a modern, musical *King Lear*, and a *Faust*, in which the sat knight is appropriated to the dynamic Kyogen tradition of comic theatre.

The prolific Chijinkai Theatre Company appears in *Orin* — a classic of its repertoire, created by director Koichi Kimura and the novelist/playwright Minakami, and starring the film actress Ineko Arima.

For traditionalists, there is National Bunraku Company, which is taking puppetry to London, Belfast and Nottingham, and the Shochiku Kabuki Company, making its British premiere at the National's Lyttelton theatre in a series of grand kabuki spectacles.

For those who like their points of reference a little more clearly plotted, the festival also boasts the kabuki version of *Jesus Christ Superstar*, which has been 18 years in the Shiki company repertoire. Apparently, the production boasts a success second only to that of *Cats*.

Claire Armitstead

## Dance

THE DANCE elements in the Festival range from the grandest traditions of Japanese theatre to the most modern, unknown and unguessable aspects of contemporary dance. Dominating the festival offerings is the presence of the Umewaka Kennokai Noh Company at the Queen Elizabeth Hall in London between September 19 and 22 and thereafter in Manchester, Stirling and Hexham.

A dynamic troupe, whose performances can be traced back to the 15th century, the company was last seen in Britain in 1967. For anyone unaware of the beauties of Noh theatre, it needs but to be said that it is an art whose effects are prodigiously concentrated, refined, and

Besides the marvellous *Kwaikan* by Kobayashi, which shows this weekend (Saturday at 3.30, Sunday at 8.10) — a ghost story to end ghost stories — other films of extraordinary visual assurance include Ito's *The Conspirator* (Wednesday 18), Watanabe's version of *The Loyal 47 Ronin* (Sunday 15), Yoshimura's *Bamboo Doll at Echizen* (Saturday 21) and Takaka's *A Blighted Love at the Lake* (Thursday 26).

Meanwhile, over at the Barbican, an even more ambitious season aims to present 50 films from 50 different directors dating during the half century 1931-1991. The celebration begins with a screening of Kurosawa's *Rhapsody in August* (Tuesday 17). The great names of Japanese cinema are all represented, as one would expect.

Mizoguchi (*The Story of the Last Chrysanthemum*, September 21), Kinugasa (*Gale of Hell*, September 29), Ozu (*Equinox Flower*, September 29). But the season is just as much an opportunity to explore the work of directors rather less known in the West yet in the overall perspective, equally lofty and poetic. Directors who should especially be looked out for are Toyoda (September 22), Uchida (September 26), Tasshi (September 28), Naruse (September 29), Yoshimura (October 4), Kawashima (October 5) and Imamura (October 17).

Mark Le Fanu

## Cinema

JAPANESE cinema is one of the most distinctive of all national film cultures — formally innovative and daring, and yet, as far as content is concerned, rooted to history and tradition.

Two seasons of Japanese films, one at the National Film Theatre continuing for the rest of this month, the other



beginning at the Barbican Centre next week and running at weekends throughout October, complement each other nicely, as well as offering an interesting point of comparison to the various exhibitions of Japanese paintings and prints that will be on show in London during the coming months.

At the NFT, the selection of 25 or so films concentrates on the period between 1955 and 1970 when the wide screen process called CinemaScope was especially used by the major directors.

## Theatre

"IT'S ALL very fine, but is it dance or is it theatre?" So runs the Western debate over the great Japanese traditions of Noh and Kabuki.

To the Japanese, the distinctions do not exist — "geino", the word for theatre, in fact means "artistic skill", and it covers an awe-inspiring range of skills, from the flamboyant urban theatre of Kabuki to the puppetry of Bunraku and the masked dance-dramas of Noh.

But no theatre is an island, and the Japan Festival programme offers a taster of a tradition that has held on to its values, while involving itself in a vigorous process of give and take with other traditions from various other corners of the world. On the giving side, the

each tournament. Win more than you lose and you go up the next time around and vice versa.

A yokozuna (grand champion) can never be demoted, only retire, while an ozeki (the next rung) only goes down after two consecutive losing tournaments. Everybody else rises and falls automatically. On each day, the stars light last.

The Albert Hall affair is described as the first official sumo tournament outside Japan, previous excursions, to Paris and New York, being merely exhibitions. However performances next month will not affect the domestic rankings.

Barring injuries in the present tournament in Tokyo, the London favourites ought to be the two yokozuna, the crafty Asahifuji and the fire hydrant Hokutsumi, and the two ozeki, one of them the 530 lb Hawaiian, Konishiki. However, something of a generational change in



sweeping through the sport, epitomised by the retirement this year of the great yokozuna Chiyonofuji after a defeat by the teenage sensation Takanohada. With each wrestler fighting once a day, in a short tournament anything can happen; a play-off for the title is probably more likely than not.

Sumo wrestlers are remarkable for the explosion of power, and an individual contest can be over in less than a second, with the loser thrown down or pushed out. But, for all their bulk, they are considerable athletes, capable of much agility.

If your Japanese neighbour swoons and mutters *utchari*, you will have seen something remarkable — where the winner, falling backwards and out, throws his opponent, all 300 lbs plus, out over his shoulder. For that reason, immediate ringside seats are not without risk.

There is a lot of salt throwing and foot stamping before the two get at it. This

is ritualistic but wrestlers sometimes use what Jeeves called "the psychology of the individual" to gain a mental upper hand.

This process ought not to last for more than four minutes. The referee indicates when it should end by a discreet movement of his fan. What happens next is anything but discreet.

Jurek Martin

## Garden design

THE Japan Festival has left a lasting memorial in at least one corner of London. In 1902, a Japanese garden, long since obliterated, was built in part of the grounds of the then Lord Holland's park. This summer, a new Japanese garden has just been finished on a sloping acre of the same Holland Park in W11. Despite the hot weather, gardeners from Japan and England have coped valiantly with the job of laying out a large waterfall, complete with heavy boulders and stepping stones, and an elegantly curving pond with a traditional beach of pebbles on one bank. It badly needs rain, but 210 tonnes of Scottish rock have fallen naturally into position and the pool below the cascade has assumed the classic "cloud" shape of Japanese tradition.

The design is convincing, restful and a great improvement on the previous undergrowth on the slope. Most of the existing trees were fitted cleverly into the scheme, including an impressive Tulip Tree. The city of Kyoto and its Chamber of Commerce and Industry have contributed £500,000 to the outcome. It is now up to the Borough of Kensington to see that the turf survives and the scheme stays in shape, helped by a rolling grant from Associated Newspapers.

Traditional stone lanterns and Japanese water works fit rather well into the peculiar jungle of Holland Park and the idea deserves a warm welcome. The obvious theme was a range of Japanese plants, but it all ought to have been more exciting. Purple-leaved berberis, honeysuckle and Portuguese Laurel have crept in among the usual rhododendrons and conifers. The big trees of evergreen Magnolia may survive the dry autumn, but there is much more to Japan's flora and its great contribution to English gardening than this limited range of shrubs, despite some welcome abelias and lespedezas. In 1902, lilacs are said to have blossomed in turf beside a chain of lakes about 600 yards long. The design of the 1990s successor is stylish but, as so often, the cheapest part of any budget, the plants themselves, have suffered from a lack of imagination.

Robin Lane Fox

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# Rembrandt reassessed

**T**HE REMBRANDT exhibition that has just opened in Berlin is doubly important as an exhibition, for we shall see this side of the millennium. But what is there more to say of Rembrandt? The attempt itself is all but an impertinence. But the latest great Rembrandt exhibition in Amsterdam in 1989 proposed the need for a thorough reappraisal and catalogue raisonné. Ever since the 1960s, the Rembrandt Research Project has slowly, implacably whittled down the old accepted oeuvre with the very latest scientific and chemical processes. There is no doubt that in the past Rembrandt was an attribution too lightly given, but now reliance upon purely scientific criteria, unmoderated by judgment, may be over-compensation. With the Project's findings, the Rembrandt more or less in mid-career, the time is right to take stock, to examine the findings so far, and to establish undisputed common ground before examination continues to the latest work.

The three participating museums, the Gemäldegalerie in Berlin, the Rijksmuseum in Amsterdam and the National Gallery in London have between them the principal Rembrandt oeuvre in the world. Each has committed five undisputed paintings which together cover every aspect of the work and every period in the career. This soundest of cores has been augmented by loans from private and public collections from all over the world. There are 50 undisputed works. Then come a further 30 or so, with works securely attributed to pupils or associates hung for direct comparison with works newly assigned to them or still in question.

It is an important but dangerous business. By colour and handling, it is hard to see how the Jan Lievens 'Feast of

Esther" could even be confused with Rembrandt, or the Nicolaes Maes "Saint Thomas", where the drunken saint is shown in the weaker. On the other hand, the National Gallery's own "Anna and the blind Tobit" has now been given to Gerrit Dou which, by the evidence alongside, seems hard to take. The mood and feeling, the richness of the handling, are all so different, so warm and tender in the one, so cold and distant in the other, that all the similarities of subject and composition. Such distinctions are as hard to lay a finger on, but no less real for that. And there is the lovely "Young Woman" at the Art Institute of Chicago, now given to Samuel van Hoogstraten, which is yet so close in spirit to Rembrandt as to be surely still in question. The prints and drawings, too, are so easily misapprehended, so easily few drawings by his pupils.

The difficulty is that of the greatest painters, Rembrandt is one of the most various and idiosyncratic. Born with Titian and Velasquez, not long dead, he lived in the century of Rubens, Poussin and Velasquez, he seems to stand aside from the great historical sweep of the post-renaissance tradition. A child of his age, trained within a national school as were his contemporaries, yet so self-assertive as any, himself a teacher with his pupils in his working studio, he was yet never fully assimilated with his contemporaries and left no obvious and lasting legacy of influence.

If he now speaks to us so directly, so personally, so self-assertively, might it not be that he was at heart something closer to our own sensibility. History painter, child of the baroque, he was nonetheless out of his time, first of the moderns and the romantics in his self-consciousness and self-examination in his experience of the world. Is it then fanciful to see in him, in the sequence of

self-portraits that punctuated this exhibition, the first in a line that will take us through Goya and Delacroix to Courbet and Degas, Van Gogh and Picasso?

Rembrandt was a difficult man, perverse and self-destructive in his relations with his patrons, harder still perhaps on his women, who sat at the very centre of his art, his life. Yet he loved women, and understood them as humans, understanding in all his depictions of them, young and old, is the clearest evidence. It might be Saskia as "Flora" in her prime or the brief, assured study of a girl lifting her skirts clear of the "Fountain", which is one of the great paintings of the nude, a once idealised and intimate, the exquisite portrait of a young lady, Agatha Bas, from the Royal Collection; or the ageing Aelte, wife of Cornelius Anslu in the magnificent double portrait from Berlin; or again Saskia drawn in her youth, hand to cheek beneath her broad straw hat, the merest sketch. These are, in the expression of awesome bliss on the heart, Dear Rembrandt, the

**THE FAMOUS** Venice edition. Non reading a book is back after a long clearing, on the stone column by the Doge's Palace. To many festivalgoers this is symbolic. It means that Peter Greenaway's *Prospero's Books* will win the Leone d'Oro for best film, to be announced this weekend.

Will it? In a dream I saw the Golden Lion chasing the Chinese film *Raise The Red Lantern*, directed by Zhang Yimou of *Ju Dou*. I dreamed that the lion caught it and tore it into it, whereupon beast and victim both assumed an expression of awesome bliss just like that on the faces of the film's Venice audience.

In this dazzling dynastic

most humane, the most humane, the most vulnerable and the most sensitive, who could make the epic personal, and the mundane glorious.

This magnificent exhibition sponsored throughout by the American Express, remains in the Altes Museum, in which it was so lately East Berlin, until November 10 and then moves on to the Bismuseum, in the city of Potsdam. The paintings and prints also belong to the National Gallery in March, when the British Museum is to furnish a distinctive exhibition of drawings from its own collections. Throughout there will be no images, but only those committed here and there. There is nothing for but to see them all.

Yale University Press this week publishes (in separate editions in six languages) René Guénon's *The Metaphysics of Yoga* in two volumes. *Workshop in the East* by Christopher Brown, Jan Kelch and Pieter van Thiel, 350 pages, £35 (£19.95 paper); *Visual Arts, Drawings and Prints*, 280 pages, £25 (£19.95 paper). The boxed set is £60 (£29.95).

# Vin

drama a young girl (Gong Li elects to become "Fourth Mistress" to a tyrannical old lord in 1920s China. Trapped with her for two hours, alias several years, in the maze-like palace we act out a drama of intercombining jealousy, false pregnancies, punishment by hanging (the Third Mistress is caught with a lover) and terror at the closing walls of an inescapable destiny.

You could view the film - you could hardly not - as

**'Belshazzar's Feast', circa 1634**

# Stage

New York; and Nikita Khrushchev's *Urga*, hymning the endangered primitivism of Mongolia in a tale about a Soviet truck driver adrift in the post-Genghis grasslands.

All this and the retrospective too. How many of you spotted my deliberate mistake in the last Venice dispatch? I said it was a season devoted to Haydn. Code Hollywood. It is of course devoted to pre-Hays Code Hollywood (1929-33), or at least to pre-circuit-enforcement H.C.E.

## Screen Star in Venice

# enice

and founder of the Venice Film Festival. And even modern Italian films like Marco Risi's *Gladiator* are celebrating the 1980 scandal of a missile-downed passenger I honour Italian cinema's need to honour Italian tradition of fiction transgressing history. *Gladiator* will be a tragedy if Venice as threatened, is bumped off its September slot by real Cannes and driven into caricature exile. I doubt that it would survive an early-year De Falla funding allied to fear of any weather would kill off event already favoured more by connoisseurs than cinema lovers. I hope the festival is still here this time next year.

My gondola is already booked.

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drama a young girl (Gong Li) elects to become "Fourth Mistress" to a tyrannical old lord in 1920s China. Trapped with her for two hours, alias several years, in the maze-like palace, we act out a drama of interconcubine jealousy, false pregnancies, punishment by hanging (the Third Mistress is caught with a lover) and terror at the closing walls of an inescapable destiny.

You could view the film — you could hardly not do — as

an allegory about Communist China. The rules of the family are laid by the father, who ranges from being baronous punishment to potty rituals like the lighting of red lanterns outside the favoured mistress's suite each night, begin by bewildering the newcomer. Then with brief success she exploits them, outmanoeuvring her husband as they defeat her and drive her mad.

The film's chialing formalist beauty outshines anything in Bertolucci's *The Last Emperor*, close cousin as a study in palatial claustrophobia. Ex-cinematographer Zhang Yimou knows when to beatify an expansive landscape, when to close in on a blood-red lantern; when to use snow-fall like a cosmic shroud over human hope; when to move his camera back from an action rather than forward to enhance its power. Brilliantly, we never see the lord's face in close-up. He is a shadowy totem, a king of the mistresses, just like the wielders of a totalitarian power.

Nothing at Venice matches this historical-tragic study in scarlet. But the 1991 Mostra Del Cinema was still the best in years. Stumbling between the modernism you would catch between the oddities like Wojan Skolimowski's *Thirty Four Key* and with its tale of sexual-political awakening in 1930s Poland (seen through an English-speaking farce plot starring Alain Gleizer and Robert Stepanski); Jan-Luc Godard's *Si j'étais une Zébrée* (from marches art Eddie Constantine, plus quotes from Hegel, Goethe and old movies, all over united Germany; Werner Herzog's *Scream Of Stone*, in which the mystical Hun goes mountain-climbing in a satagoge of pure nihilist (visuals); Manoel De Oliveira's *The Divine Comedy*, a Portuguese lunatic asylum with religious trimmings; Terry Gilliam's *The Fisher King*, a cloth with Williams and Jeff Bridges as a odd couple going the sword-and-sorcery route in modern

**Chess No 889:**  
Qe7. If Kf3 2 Qe2, or Kf5 2 Ne3,  
or Fxb5 2 Qe5, or Fb3 2 Qb4

New York; and Nikita Mikhailov's *Urga*, hymning the endangered primitivism of Mongolia in a tale about a Soviet truck driver adrift in the post-Genghis grasslands.

All this and the retrospective too. How many of you spotted my deliberate mistake in the last Venice dispatch? I said it was a season devoted to Hays Code Hollywood. It is of course devoted to pre-Hays Code Hollywood (1929-33); or at least to pre-strict-enforcement H.C.H.

A tree platinum statuette of Jean Harlow to Mrs G. Mafeking of Bexhill, who spotted the inexcusable and threatened to write to my editor.

The retrospective continued to unveil the past and shine a light on the present. The wonder of early Western sound cinema – we realised this as we watched these precise social comedies and dramas whisked into writ by the likes of Tracy, Grant and Hepburn – was its sense of identity. The danger of modern Western cinema is that identity is yielding to identikit.

Movies like *Raise The Red Lantern* cling bravely to their native language and history. But Venice also spotlighted the rise of the multi-country co-production, with its tendency to compel all participants to speak scarcely recognisable English. Herzog's mountain epic, with its Italian-Canadian-French-American cast headed

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by Donald Sutherland and Vittorio Mezzogiorno had audiences giggling at the off-kilter dialogue even while giggling at the daredevil scenes on Torre Cerro. Skolimowski's Anglo-Polish comedy was a riot of atrocious dubbing. And an English-spoken version of Italy's *L'amore Necessario*, a sort of updated *Dangerous Liaisons* set in a spa hotel, gave us Ben Kingsley confidently speaking his own lines while everyone else (foreign) man-

meed the Queen's language like nobody's biz. The most high-profile offender as we approach Federalised Europe Year Zero was Istvan Szabo's keenly awaited *Meeting Venus*, produced by David Puttnam. This opens in Britain next week, so let us not belabour it. But after a lively start the tale of clashing cultures on a Paris opera production becomes ever more Babel-like. Glenn Close is the soprano, Niels Arestrup is the East German conductor who falls in love with her, and the supporting cast swarms with French, Swedish, Portuguese, Hungarian players, all pitching into the mad sonic potlatch. (Also, on an opera-practice note, whatever is Miss Close doing running round in the pouring rain on the eve of *Tannhäuser*? Any singer who solicited head-colds like this would have been slung off the international reg-

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but of You, Moonshine Lullaby

Never mind. One folly does not make a fiasco. Venice's distinction as a festival continues to be its Italian sense of history. New films are not seen as in Cannes, merely as products off the conveyor belt of modern culture. They are seen *sub specie aeternitatis*, or at least *sub specie saeculi*. This year's Hollywood retrospective, joisted with brilliant Italian documentaries like *The 600 Days of Solo*, stitching rare

[illegible]

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It will be a tragedy if Venice as threatened, is bumped from its September slot by restless Cannes and driven into calendar exile. I doubt that it would survive an early-year date. Frail funding ailed to February weather would kill off an event already favoured more by connoisseurs than clamorous journalists. Let us hope it still here this time next year.

My gondola is already booked.

[illegible]

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I IMAGINE that industrialists wishing to indulge in a spasm of envy or gloating scan the share prices in the *Financial Times*. There is an equivalent therapy for writers and one in which I indulge: this is the book best-seller list published weekly in, among others, the *Sunday Times*. In aggregate, it might be described as the literary equivalent of the All-Share. Then it sub-divides into hardback (industrial miscellanea), paperback (chemicals, plastics), non-fiction (engineering) and fiction (banks, HF and legging).

The market the lists describe is not as perfect as the stock market. No absolute figures for sales are

## You can't judge a person by the cover

One in 12 Britons owns Stephen Hawking's book. But how many have read it? asks Dominic Lawson

given, only an order of popularity. And it is not clear whether the list is drawn up on the basis of actual sales to readers or merely of the volume taken by distributors — who from time to time take large quantities of books which subsequently flop, rather like jobbers caught with too much stock. Only because of the farcical Net Book Agreement the distributors cannot cut the price to match supply with demand.

I have been studying the lists for some years, occasionally fantasising that a book by Dominic Lawson

reaches the top of the paperback fiction list and stays there for a meaningfully enriching length of time. But no fantasy can match the facts: that this weekend one book will have been in the best-seller list for three years, or 156 weeks, in the jargon of the hit parade announcer. The book, *A Brief History of Time*, is an attempt by the profoundly disabled physicist, Stephen Hawking, to describe the way the universe works. It is startlingly simple, apparently, for a description of life, the universe and everything. But I

do not know anyone who has got to the end of the book. And yet, according to the *Daily Telegraph*, one in 12 people in Britain own it. A few years ago in the US a magazine financed a trick on the publishers of a similarly obscure and fashionable book. The magazine ensured that every copy of the book in one big New York store had a card inserted about a third of the way through the trendy book. On the card was a message to the effect that if the hidden slip was handed in, the bookseller (paid by the mag-

azine) would hand over a prize of \$10. No-one got that far. The point is that the desire to read a book is only one of the reasons why we buy it. The purchase must also reflect well on us. The less well a particular purchase reflects on us, the more genuine is our wish to buy the book in our hand. Conversely, to buy a book which tells the seller and your neighbours that you are the sort of man who wants to know, and is capable of knowing, how the world works — this is something so pleasurable that we would not feel cheated even if we discover that we cannot get past the preface.

Perhaps the *Financial Times* is itself a beneficiary of this effect. In Paris, apparently, the BBCs very much like to carry a copy of the *FT* under their arm, even if their grasp of English is negligible. The thing is, it looks different and is a symbol of intelligent affluence. The power of newspapers to transmit more information about the reader than they do to the reader is often underestimated. The success of the *Independent* is undoubtedly based partly on the inoffensive apparent impartiality of its title. Englishmen do not like making political statements about themselves in the Underground any more than they like physical contact with their fellow passengers. So the *Independent* and you get Display *The Guardian* and you get Display *The Telegraph* and those getting on at Islington glare at you contemptuously.

One of these days I plan to take the dust-jacket of *A Brief History of Time* into a crowded Tube train. Inside the jacket I shall place a book I actually want to read. I see this as publishing's answer to designer-clothing.

■ Dominic Lawson is editor of the *Spectator*.

BOOKS ARE special somehow: not only for what they contain but for what they say about their owners. The books you read reveal the sort of person you are. The ones you leave casually on the coffee table proclaim the person you would like to be. Do you have a library? Then you are a scholar and a gentleman. But if you buy your library by the yard, like Mr Biswas, then you are the worst kind of puer.

Books stand for education, which in Britain means they also stand for class and class mobility. (A quick test: Did you read Beatrix Potter as a child? Do your children? That, I suspect, is why there is such a fuss about the dynamic Mr Terry Maher (it is pronounced "mar") is a working class, Irish Catholic, Mancunian accountant who started in garden sheds, religious books and tableware and is now the largest book retailer in Britain after W.H. Smith.

Pentos, the off-the-shelf conglomerate he formed 30 years ago, owns Dillons, Hatchards, Economist's Bookshop, Claude Gill, Athena and Ryman, the stationer. Last week, after good interim results, Maher announced his latest attempt to kill 100 years of resale price maintenance in the British book trade — "an organised conspiracy against the public interest" — by cutting prices in a pre-Christmas promotion of new titles.

Heckled at the last Booker Prize dinner, criticised for his aggressive business style, Maher has been seen as a threat to quality and choice. Like the wicked supermarket tycoon of the 1960s, he will drive the little shopkeeper out of business. He has even been accused of never reading a book in his life.

Maher claims the opposition is fading. But it still has a champion in W.H. Smith, a chain not exactly renowned for its devotion to literature. Smith's chairman is Sir Simon Hornby, who has a rather different background to Maher: Eton, the Guards, Oxford and Harvard Business School.

Hornby says books are not baked beans. The phrase, implying that Maher is really a sort of grocer, encapsulates the spirit of this controversy. I asked Maher if he agreed.

"Well, yes, of course. But it doesn't take you very much further on to say that." It was ironic, he added, that Smith's should try to use the quality argument against Dillons.

Why do you think they take this line?

"They are acting from self interest, like us. We are a threat to them. They're afraid of losing market share. I don't blame them for that. I do blame them for dressing it up in a different kind of clothing."

Will your way of doing business result in bad books driving out good?

"It's the opposite, the very opposite. You could not have put it more badly." Maher laughed a mirthless laugh. "If hard-back fiction has a future it will be because of the success of Dillons."

Maher has the reputation of being tough and prickly. I found him very courteous, but his friendly manner seemed effortful. At the start of our encounter his right eye blinked rapidly and he swallowed a lot. Maher said later he was shy, and I believe him. Also, he suspected (with some justification) that I had come to cast him in the role of unlettered work-class boy versus the toffs, and he didn't like it very much.

Was there a class issue behind the economic dispute about book pricing and marketing?

"The fact is that the book market in this country has been a narrow, elitist market and has always been fairly forbidding places," Maher replied. "People in the book trade are fairly inbred."



## Bookman with his jacket off

Are you resented, perhaps, because you are an accountant and you think about bottom lines and efficiency and unglamorous things like distribution?

"Resented by who? Publishers are not opposed. I don't see any division between ourselves and publishers. The division is between ourselves and Smith's."

You are an outsider in this business.

"When are you an insider? I've been in the book trade for 30 years."

Don't you see yourself as a new broom?

"The book trade in the UK was, and to a large extent still is, fragmented. Publishers were notoriously inefficient and still are. I believed the professional marketing of books was a major business opportunity."

It was a commercial opportunity which your training as an accountant made obvious to you?

"I don't think of myself as an accountant. Certainly I'm numerate but I don't recommend training as an accountant as a way to success in business. I don't think I'm a natural accountant."

What are you, naturally?

"Well, that's the difficult next question. I'm more concerned with markets." He paused. "It seems to me I have had a number of quite distinct phases in my life and if you had asked me at different times I would have given you a different answer."

Maher seemed anxious to move on and deal with the unspoken paradoxical against him of philistinism. Paradoxically, he became much warmer, even relaxed.

"I wasn't brought up in a home where books were part of everyday life. Indeed, when I was reading books it was thought of as being a

fairly unnatural kind of activity. And my reading has gradually developed. It's not exactly that I was late to books — how late is late? — because I was reading books fairly widely in my early 20s."

He added that he also wrote political pamphlets and a newspaper column after joining the Liberal Party in outrage at Britain's war over Suez. Through politics (Maher stood twice for Parliament) he met his wife Barbara Crumbaum, daughter of a Jewish psychiatrist who fled from Berlin. She writes on cookery. I asked Maher what he reads now. The answer was Milan Kundera, Mario Vargas Llosa, Granta short

take advantage of what is available? Maher's working class roots, business dynamism and anti-establishment attitudes would seem to make him a perfect Thatcherite product. Why was he not a Tory?

"Oh, God! I need just to go into a room full of Conservatives and I'm not a Tory. It's as simple as that. It isn't as simple as that, but that's the instinctive thing."

I could have been persuaded if all Conservatives were like Chris Patten. But they're not. I'm an instinctive Liberal. Thatcher didn't have a monopoly on entrepreneurship."

### Christian Tyler asks Terry Maher, chairman of the Pentos chain, about class struggle in the book trade

stories. Anthony Burgess (who went to the same grammar school in Manchester, Xaverian College), and anything by William Boyd.

"Last night I finished Truman Capote's *Breakfast at Tiffany's* which I found in my library, a 2s 6d Penguin. Of course there are enormous gaps in my reading. But I am reasonably widely read."

Somewhat ashamed by now, I asked him his taste in music. Both he and his wife grew up on modern jazz and he still goes to the Blue Note when he is in New York. But most of his listening today is classical: he put Mozart's symphonies and piano concertos at the head of the list. He is a friend of one of the Amadeus Quartet and he frequents Glyndebourne.

That's elite, I said.

"It's an enormous pleasure. A great day out. Why is it elitist to

What is about them that puts you off?

"I don't feel comfortable with them."

What makes you uncomfortable?

Long pause. "Arrogance, I guess, is the single word."

The arrogance of natural superiority?

"Yes, I think so. The born-to-rule aspect of it. The arrogance on social issues."

The poverty of his early life has not been a conscious motivation in Terry Maher's career. He was born in a back-to-back terrace house with an outside lavatory. His mother died when he was 11. He contracted tuberculosis and, formerly top of the class, missed a lot of school. There was no question of university. His father, a printer, drank all the money. "It wasn't that unusual. He worked for the newspa-

pers and you know how bad they are." Maher and his younger brother were brought up by a thrifty grandmother who had already raised her 12 children.

"It's odd, you see. I wasn't so aware of my own living conditions being that bad at the time. I didn't feel any sense of deprivation because I didn't know anything else."

Maher said he did not set out to make money, but to succeed. (He has the same attitude towards skiing and tennis, both of which he took up late.)

But you enjoy the money now you've got it?

"Very much so. But I don't have a dramatically lavish lifestyle. I have certain luxuries. I spend far, far too much on good wine, but not enormous mansions or yachts or anything like that." He forgot to mention the Bentley Continental convertible.

You arrived late at the pleasures of life.

"Well, yes, but I wasn't aware that I wasn't enjoying the pleasure of life before." Maher laughed, with real amusement this time.

Earlier I had asked whether he felt there was in general a lot of class prejudice about.

He replied: "No. Look, I'm very much aware of class as being a fact of life in England. I don't believe for a second — I never even think in those terms — of being a victim of that English disease. Not at all. The very opposite. How could I possibly complain, given the opportunities that I have had?"

"You see, the reality is more boring for your column than this terrible person of humble origin and Philistine views in the book trade."

Not so, I thought later. No-one could call Maher boring.

## An old fogey's Robin Hood

Nigel Spivey

LAST YEAR, for the first time, I came up to the City to attend an FT Christmas party, to meet the people who put this paper together and with whose by-lines I jostle from time to time. But I came away feeling disturbed.

A golden blond, who turned out to be Lucia van der Post, peered at my lapel badge and exclaimed: "Good heavens! From your writing, we always imagined you to be at least sixty-five."

To demonstrate a precocious maturity, or fogeyish charm, is one thing. To create the impression that you are double your actual age is quite another. What particularly disturbs me, thinking about this, is that I never consciously adopted the manner of a weary old dog. I have never staked my style and morals in some stratum several generations back. The truth is, I am out of joint with modern times. I ought to do something about it.

I called my sister. She, bless her, is young, bright and streetwise. I told her I was tired of being taken for a pensioner in print, and that I had decided to go back to the late 20th century. I needed her advice.

Jotted notes on a pad by the telephone remind me of what, according to my sister, I had to do. (1) Get down; (2) Chill out; (3) Pump some iron; (4) Short some cake; (5) Kick some ass; (6) Check out the movies.

Options (1) and (2) remain obscure to me. Nos. (3) and (5) are variously repellent. I lack the spare cash for (4). But (6) I can contemplate.

I phoned my sis again. She would know what was worth watching. "Before you start," I warned her, "let me say this. Herr Arnold Schwarzenegger may be great in body, but he is ignoble and puny in soul. Those Mundane Turtles pass me by. And Madonna's conception seems to me utterly maculate."

"No worries," said my sister. "It's a multi-screen cinema. Something for everyone. Even you. Howabout Robin Hood? Got Kevin Costner in it," she added. "He's a dude."

And an American. That much I know. A Yankee in the court of Robin Hood?

"Go on," said my sister. "It's wicked."

Missing the laudatory meaning of the word in modern parlance, I thought: well, if we are going to get to grips with modern times, let us have the horror of it all full on the chin, with some crass American perversion of a time-honoured folktale.

"Fair enough, Robin Hood."

I accompanied my sister to one of her favourite places, viz. the Metro Centre in Gatheshead. Wanting to show that I had picked up the modern habit of using opposites as synonyms, I loosened my collar inside the precincts of a mega-arcade, and declared: "Hey, this is cool!"

Once inside the cinema, I settled down to the business of finding fault with our evening's entertainment. I was slightly dismayed by the commodious seating, and the large numbers of families out together evidently ready, with buckets of popcorn and bumpers of fizzy, to enjoy their night at the cinema.

What, I thought, has become of

that monster, Chronivorous Video? But once the opening credits began to roll, I was happier. Here was the Bayeux Tapestry: a massive anachronism for starters. Robin Hood, an American, was then plunged into the Crusades, and most improbably, returned to somewhere which looked like Teesdale with a Mohammedan ally in tow.

Of the two and a half hours of film, I computed that only half an hour was free of the 57 varieties of kicking ass and other violence. The Sheriff of Nottingham, and fellow villain Sir Guy Gisborne, owed most of their characterisation to that unspeakable programme Blackadder: a scene of rape at the end of the film was performed with all the brutalism of modern comedy. Throughout, a cavalier historicism which naturally provoked a pedantic disposition: wasn't it Roger Bacon who invented the telescope? Shouldn't the action be set in the reign of Edward II? And to which monastic order is Friar Tuck supposed to belong?

My sister suffered these grouches with surprisingly good grace, though I suspect that when she told her friends about our night out, the words nightmare or even total nightmare figured largely.

She said to me: "Did you like anything about that film?" I said I would have to think about that. I have thought about it, and these are the results.

The violence quota is not, in fact, extraordinary. And the explicitness of the violence, while it certainly exceeds Erol Flynn, scores low when compared, say, with Homer.

The cavalier historicism is more or less justifiable. None of the Medieval historians I consulted is able to locate Robin Hood convincingly in the reign of Edward II. Robin Hood is a myth, and it is in the character of a myth that successive generations adapt it to their own purposes and perspectives.

On reflection, Robin's Mohammedan chum was an inspired piece of adaptation. We had some nice sentiments about the futility of the Crusades, and the need for global brotherhood. Yes, I know that it is easy to be ecumenical in that sick Benetton way. But I made me think — and check who indeed had invented the telescope. I found that while Roger Bacon gets the credit, you could point to some pioneering research in optics by one Ibn-al-Haitham (965-1020).

A misty pre-Raphaelite version of Robin Hood this was not. But why should it be? There were echoes, for those that wanted to see them, of the Poll Tax revolts; and a peppering of what you could interpret as anti-Thatcherite ideology. Come 2091 there will have been more Robin Hoods: and that is just as it should be.

"So you see," I said to my sister, "I am not quite the fossil that some people take me to be. And now I need your assistance for something else. Can you show me the way to something called an Acid House Party?"

■ Michael Thompson-Noel is on leave.

### HAWKS & HANDSAWS

BRAZILIANS have discovered a new party game. Known as "Alice in Brazil" it involves answering the following kinds of questions: "What costs more a hairbrush or a sofa?" or "Can you buy a cup and saucer for less than \$20?"

Guessing the price of a range of items may sound a mundane activity in a country famous for its carnival and hedonism. But, after ten years of high inflation, such as last year's 1,800 per cent, most of the population have lost all sense of what things should cost. A TV vox pop found that the majority of people could not guess whether a fountain pen cost more than an oven.

"Stability of prices is a foreign concept for us," explains Daniel Dantas, an economist. "You cannot take \$100 for the weekly shopping and know that it is enough as prices change from one week or even one day to the next."

For a blissful two months this year Brazil had monthly inflation in single figures. Going shopping and finding prices almost unchanged was a strange sensation which made many Brazilians suspicious. With reason. By July the threshold into double figures had been crossed again. Last month the consumer price index rose more than 15 per cent — for September the inflation watchers are predicting 18 per cent and rising.

## Finding solace in the samba

Christina Lamb on how Brazilians deal with hyper-inflation

The most dangerous thing about chronic high inflation is learning to live with it, says Javier Gonzalez Fraga, a former head of Argentina's central bank. Returning to more stable economic climes after a year in topsy-turvy Brazil, I realised how quickly one loses all reference on prices.

The biggest culture shock in London was accustomed oneself to stable prices and resisting the temptation to stockpile against possible increases. My local newsagent was baffled at my daily inquiry into the price of my papers after I had bought the same ones every day for two weeks, looking sympathetic at my apparently poor memory. In Rio the prices change from one day to the next: in two months away my papers went up 100 per cent.

By Brazilian standards that was not excessive — my car parking, for example, rose 300 per cent. Just this week cigarettes went up twice — the first time a fairly respectable 5 per cent then, perhaps realising their mistake, a further 19 per cent three days later.

All this makes doing the weekly

shopping a rather challenging experience, not knowing from one week to the next what mysteries the aisles of produce will hold. Last weekend, for example, I discovered that 1/2 lb of butter now costs the same as a 1 lb of rump steak, while a pint of longlife milk costs more than a dozen eggs.

Shopkeepers take advantage of constantly soaring prices to add variations of their own, knowing there is no way that the hapless customer can keep up and secure in the knowledge that their competitors will be doing the same.

In June last year the government lowered import tariffs and stripped away non-tariff barriers in an effort to impose some control over Brazilian prices by forcing them to compete for the first time with cheaper foreign products. But a year of lower tariffs has made little difference to shelf prices.

Many shops fail to price items at all because of the constant updating necessary, preferring just to display typed lists. The Central Bank keeps issuing new higher denomination banknotes to cope with the

increases but between announcing them and issuing them their value drops rapidly. The new Cr10,000 bank note which has just come into circulation is now worth only £13.20 compared to £22.80 when it was announced on April 26.

So who loses from inflation? Certainly not the banks, which say they need 4 per cent a month to survive and 10 per cent to make a good profit. Businessmen may not be able to make plans or projections and have to employ large financial divisions employing some of the former economy ministers and central bank chiefs in circulation as advisers, but they can use the cash from their core business to start really making money with speculation and interest rates of 26 per cent a month. The problem comes if they need cash or, in the case of multinationals, have to explain erratic performance to a bemused parent company.

Some businessmen become inflation junkies, using it to justify slapping an even higher increase on their products or services.

Inflation-watching has become a

business in Brazil with 13 different indices competing monthly. Economists vie in identifying different types of inflation — options currently on offer include corrective (resulting from correction of prices after Brazil's latest price freeze), current (caused by current monetary expansion); preventive or defensive (against expectation of further freezes); and psychological (caused by the continuing instability and dire predictions).

Every day the besieged Economy minister repeats in mantra-fashion "there will be no more shock plans". Few believe him.

After five economic packages and price freezes in the last six years Brazilians cannot be blamed for their scepticism. But while shoppers might complain they are not yet demanding to be let off the inflationary merry-go-round. Instead they find solace in the beach, sun, samba and local liquor. Besides, if price stability ever returned, they would have to learn to cope in ones and twos again and many economists would be out of a job.

